

OVERSEAS NEWS

Setbacks in industry and agriculture pose a challenge to Tirana's economic self-reliance

Albania's go-it-alone policy threatened

SETBACKS in agriculture and industry pose a challenge to a strict policy of economic self-reliance in hard-line communist Albania, Reuters reports from Tirana.

Mr. Ramiz Alia, Albania's leader, says there are problems with production of chrome, an important export earner, and low world prices have squeezed income from modest oil resources.

Economists say a drought has hit both agriculture and output from hydro-electric power plants. Industry and exports have been damaged by energy shortages. Much equipment is out of date.

"We have reached a historical moment when we have to change the structure of our economy from a technical point of view," Mr. Gramos Pashko, an economist at Tirana University, said. But he added: "We don't want to rely on foreign states. We lost too much from foreign influences and invasions."

The late Mr. Enver Hoxha, who died in 1985 after ruling since the Second World War, took Albania on a fiercely independent road in the 1970s after rifts with allies who

helped build its factories. The nation is among the world's most isolated.

Mr. Hoxha banned credits and foreign investment and insisted on balanced trade. He also severed links with China in 1977 over ideological issues. Peking had become a chief ally and arms supplier since Tirana broke with Moscow in 1961.

Mr. Pashko said there had been progress in industry and agriculture and the exploitation of natural resources, adding that economic growth rates were 5 to 7 per cent a year and investment growth was 2 to 3 per cent.

But he said: "There are problems in building an economy through our own means, own finances, own savings."

He said the population had risen to today's 3m from 800,000 in 1944 and would be 4.5m by the year 2000.

"We face big problems supporting this population growth, providing food, employment, higher living standards," he said.

But Mr. Pashko said Albania did not want to follow the same path as its non-aligned communist neigh-

bour Yugoslavia. "They chose high debts, high inflation, and it wasn't a solution to their economic development," he said.

In Albania a kilo of beef costs almost a day's labour, a television set costs seven months' wages, but housing is subsidised and costs only two days' wages per month.

Mr. Pashko said national per capita income had reached about \$1,000 a year but had suffered setbacks.

Drought had caused a loss of revenue in hydro-electric power generation, and there is evidence of drought all over Albania, such as low rivers and stunted corn, indicating that farms also have difficulties. Some economists say there could be bread shortages this winter because of the drought.

Mr. Pashko said \$45m were lost when world oil prices collapsed recently. Albania is pumping a little more than 40,000 barrels daily, about 50 per cent short of planned output.

Exact economic data are not released by Mr. Pashko's interview and speeches by Mr. Alia show

growing openness about the economy.

Albanian officials and Western diplomats said Mr. Alia had continued Mr. Hoxha's policy of self-reliance after succeeding him as party leader in 1985 and had rejected current economic reforms in the Soviet Union as revisionist.

But Mr. Alia is trying with limited reforms and re-appraising the economy. Pay incentives have been introduced in mines, farms and textile factories to raise efficiency.

Mr. Alia told a party central committee session that things were going badly in the oil sector and the chrome industry was losing money and not producing enough.

Chrome made up 17 per cent of Albanian exports three years ago, earning about \$20m a year. Western business sources said. More recent figures were not available.

The Western business sources said chrome exports had fallen to 700,000 tonnes a year from a peak of 1m tonnes in 1981 and quality was deteriorating.

Mr. Pashko said the industry badly needed new technology for ex-

tracting and processing, but resources to buy it were limited.

A Western ambassador in Tirana said Albania was expanding its foreign relations to diversify trade and obtain technology without relying too much on one partner - "They don't want to rely heavily on one country as they did with Yugoslavia, then the Soviet Union and then China," the ambassador said.

Albania has doubled its trade over the past year with Moscow's East European allies, and bought equipment, such as French turbines, from the West.

The establishment of diplomatic ties last month with West Germany could help it obtain mining and metallurgical processing equipment in return for mineral exports.

"They are trying to keep a balance on trade with East and West," the Western ambassador said.

Western diplomatic sources said measures being considered include limited wage reforms, more power for enterprises to take business decisions, and encouragement of private farming plots.

US plans talks on commodity price index

By Lionel Barber in Washington

MR. JAMES BAKER, US Treasury Secretary, said yesterday that the US would shortly begin talks with Western economic partners on creating a new commodity price index, including gold, as a tool for analysing inflationary pressures and their relationship to exchange rates.

Mr. Baker surprised the financial world by singling out gold as a key price indicator during a speech to the annual general meeting of the International Monetary Fund and World Bank on September 30.

In a television interview yesterday, Mr. Baker rejected suggestions that he had turned into a "gold bug" or that the Reagan Administration was seeking to return to the gold standard abandoned by President Richard Nixon.

Mr. Baker said he was anxious that exchange rate stability achieved between the seven major industrialised nations (Group of Seven) should not work in an inflationary or deflationary way. A commodity price index including gold would be a way of measuring inflationary pressures in the world economy, he said, noting that there had been "extraordinary volatility" between the dollar and other currencies since the February Group of Seven Louvre accord.

The Treasury Secretary declined to mention any commodities other than gold as ones the US wanted in the index. "The components will have to be agreed by the seven nations and they are a matter for negotiation over the next few months."

Mr. Baker played down the recent rise of half a percentage point in the US prime rate, blaming an "inflationary psychology" in the markets which he said was "totally unjustified."

He forecast that the US inflation in 1987 would be around 4.5 per cent. "We won't see much in excess of that at all."

Mr. Baker, a close friend and political ally of Vice-President George Bush, said he had no intention of running Mr. Bush's presidential campaign. He wished to serve out the remaining 15 months of the Reagan Administration as Treasury Secretary.

Exile's return could split El Salvador guerrilla movement

AN EXILE leader's planned return to El Salvador could hasten the decline of the guerrilla movement's political wing and redraw the country's political map, Reuters reports from San Salvador.

Ruben Zamora, number two in the Revolutionary Democratic Front (FDR), announced last month he intended to return home soon after seven years' exile in Managua, to try to change El Salvador from inside.

He would be the first prominent left-wing exile to return since El Salvador's civil war began late in 1979.

Mr. Zamora's decision has sparked a heated debate in guerrilla ranks over the future of the alliance between the FDR and the Farabundo Marti National Liberation Front (FMLN), an umbrella organisation of five guerrilla armies.

"Zamora's announcement is a tacit admission that things have sufficiently changed in El Salvador to allow for the left to operate," said a European ambassador. "Coming back would undermine the rebel argument that there has been no significant change and that therefore the war must continue."

The FMLN and FDR have made no formal statement on Mr. Zamora's plans, although one guerrilla commander, Fermán Cienfuegos, said at a press conference in rebel-dominated Chalatenango province last week he saw it as "a good thing."

More hard-line commanders are said to disagree sharply, and rebel sources report there have been acrimonious discussions which raised the prospect of a formal split between the FMLN and FDR.

Made up of three left-of-centre parties and several labour groups, the FDR forged an alliance with the FMLN in 1980, when right-wing death squads murdered tens of thousands of leftists.

Death squad killings of civilians have dropped steadily from a 1981 high of 12,501 and the toll is now counted in dozens rather than hundreds or thousands.

Mr. Zamora fled into exile when his brother Maria, El Salvador's Attorney-General, was shot dead by gunmen.

Since 1980, Mr. Zamora and his colleagues on the FDR's political-diplomatic commission have acted as the rebels' diplomatic representatives, travelling the world to press their view that true democracy in El

Salvador is impossible without inclusion of the guerrillas in a transitional government pending fresh elections.

That demand, coupled with the rebels' insistence that their military forces must be left intact and later merged with the army, is unacceptable to the Christian Democratic Government of Mr. Jose Napoleon Duarte.

Mr. Duarte says the rebels are welcome to come down from the mountains and join the political process provided they lay down their arms and renounce violence.

The Government and a rebel delegation which included Mr. Zamora failed to make progress on narrowing the vast gulf between their positions in two days of peace talks which ended on October 8.

They were the first face-to-face encounter between the two sides since 1984, when negotiations collapsed over the same issue.

Political analysts suspect that Zamora's decision to return was prompted at least in part by an apparent decline of the FDR's effectiveness.

"A few years ago," said a political scientist in San Salvador, "the FDR was often treated like a government in exile. They would be received at top level in the countries they were touring. Now they are lucky to see an assistant undersecretary."

Announcing his plans to return home, Mr. Zamora told a US news magazine he wanted to rally those Salvadorans who "have nowhere to go... They don't like Duarte and they are afraid of the FMLN."

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Turkish parties unite on election law changes

By David Barchard in Ankara

THE LEADERS of Turkey's three main opposition parties are to press today for the recall of parliament amidst signs of a growing constitutional crisis caused by last week's Constitutional Court ruling invalidating parts of the election law.

The official leader of the opposition, Professor Erdal Inonu, met Mr. Suleyman Demirel, leader of the True Path Party, and Mr. Bulent Ecevit, leader of the Democratic Leftist Party, for 90 minutes at the parliament on Saturday.

The three leaders said they were united in their insistence that the Government must abide by the ruling of the Constitutional Court and hinted at a possible opposition boycott of the elections due on November 1 if it does not.

The court said Friday that an article in the election law passed by Mr. Ozal in September dispensing with primary elections and allowing party chairmen to nominate lists of candidates was a violation of the Constitution.

Edward Mortimer on how the US should respond to Soviet reforms

Gorbachev puts West on the spot

"HOW SHOULD America Respond to Gorbachev's Challenge?" is the title of a report issued at the weekend. The authors, a bipartisan American task force, clearly hope it may be used as a blueprint by the next US Administration.

The report was launched at a conference in St Paul, Minnesota, attended by three Nato Foreign Ministers, including Mr. Hans-Dietrich Genscher of West Germany who gave the opening keynote speech, and a galaxy of officials and pundits from both sides of the Atlantic.

Its main burden is to argue for a more positive Western response to the changes under way in Moscow than the Reagan Administration has so far given. But in their anxiety to achieve consensus, the authors phrased their specific policy recommendations so carefully that Mr. John Whitehead, Deputy Secretary of State, was able to welcome the report and assert that it was in line with current policy.

He went on to outline a rather different view of his own, according to which all the positive changes in Soviet policy should

be seen as the Soviet response to 'America's challenge to Gorbachev.' This proved that American policy was already on the right track.

Mr. Genscher went rather further than the report in welcoming the Soviet changes. Quoting from his own speech at Davos last February, he urged the West to "take Mr. Gorbachev seriously" and hold him to his word. It would, he said, be a mistake of historic dimensions if the West were to miss this opportunity.

By contrast, officials of the British and French governments expressed strong reservations about the report. Mr. Philippe Coste, director of the policy planning department in the French Foreign Ministry, argued that the essential purpose of détente was to help East Europeans achieve self-determination, and that on this point Mr. Gorbachev's "new thinking" had nothing to offer.

In addition, both he and his British opposite number, Mr. David Gore-Booth, warned against the illusion that Europe could be defended without nuclear weapons.



Bill Bradley, Western capital is strategic asset

Mr. Bill Bradley, the Democratic senator from New Jersey, made a tough speech to the conference, arguing that Mr. Gorbachev would not be able to carry through his reform

programme without access to Western capital, and that therefore the West, "while not overstating its importance, should treat its capital as a strategic asset and develop a plan and set of conditions for its flow eastward."

The task force headed by Prof. Joseph Nye, a former Deputy Under-Secretary of State in the Carter Administration, merely recommended that, "while Western governments should not subsidise credits (to the Soviet Union), neither should they oppose the extension of private credit at commercial rates."

If Moscow went ahead with price reform and agreed to supply detailed and reliable information on markets and production, it recommended that the West should give consideration to granting the USSR observer status in Gatt and possibly in the International Monetary Fund.

How Should America Respond to Gorbachev's Challenge? A report of the Task Force on Soviet New Thinking published by the Institute for East-West Security Studies, New York, \$5

High-level Results

Performance for the first 6 months of 1987:

Consolidated Figures for the first 6 months of	1987	1986	Change
Group external sales	DM 19.6 bn	DM 21.1 bn	- 7.4%
Group net income	DM 304 mn	DM 303 mn	+ 0.3%
Capital expenditure	DM 913 mn	DM 991 mn	- 7.9%
Employees	72,611	69,734	+ 4.1%

VEBA: German Corporation with the Largest Shareholder Base

The capital stock is owned by more than 600,000 shareholders including 90% private individuals and nearly 35,000 VEBA employees. In March of this year VEBA was fully privatized, thus initiating a new phase in the Company's development.

Latest Figures Again Point to Favorable Results

Although Group external sales declined to DM 19.6 billion, owing primarily to low oil prices, net income reached DM 304 million, matching the high level of the first half of 1986.

All of VEBA's divisions were profitable. The Electricity Division kept prices constant. PreussenElektra's deliveries were up 8.3%. HÜLS attained above-average results. Thermoplastics and organic chemicals performed well. VEBA OEL maintained its position. Refinery capacity utilization was again at 95%. The Trading and

Transportation Division showed satisfactory results.

On the Threshold of a New Phase of Development

Thanks to the Brokdorf power station, nuclear energy now accounts for 70% of PreussenElektra's total output. For unit 4 of the Heyden coal-fired power plant the process of going into operation continued. Approval was given for a new 520 MW hard coal facility. Braunschweigische Kohlen-Bergwerke AG is now almost wholly owned by VEBA.

DEMINEX shared in the success of the North Sea oil fields. RHENUS significantly reinforced its market position through the acquisition of Weichert, the forwarding agents. VEBA acquired a 12.5% participation in HAPAG-LLOYD. RUHRGLAS was sold.

An agreement was signed calling for the acquisition of the chemical operations of DYNAMIT NOBEL - thus giving VEBA a

foothold in high-growth, future-oriented sectors. This acquisition has already been approved by the German Federal Cartel Office. Important steps have thus been taken to ensure realization of projected rates of growth.

VEBA Shares Show Strength

During the past two years, VEBA's stock has risen 100 points. The dividend yield was above average. Both trends attest to the sound quality of VEBA shares - a healthy mix of growth potential with security. Over the next five years, a total of DM 19 billion will be invested in expanding the Group.

Confidence in the Future

The strong cash flow is projected to improve still further. Corporate strategic plans are in the process of realization. Present developments point to overall results for 1987 matching the previous year's level and a dividend of at least the DM 10 per share that was paid in 1986.



To find out more about VEBA, please contact: VEBA AG, Karl-Arnold-Platz 3, D-4000 Düsseldorf 30, Federal Republic of Germany.

OVERSEAS NEWS

Israeli police teargas Moslems

THOUSANDS of Jewish worshippers and tourists fled Jerusalem's Wailing Wall in panic yesterday as Israeli police used tear gas and fired in the air to disperse Moslem protesters on the biblical Temple Mount, Reuters reports from Jerusalem.

About 2,000 Palestinians chanting "God is great" threw stones and bottles at 200 police to protest against an attempt by militant Jews to enter the mount, site of the sacred Al-Aqsa and Dome of the Rock mosques, police said.

A 80-year-old Jew praying at the wall was slightly injured when a rock thrown from the overlooking Temple Mount struck him on the head. Three policemen were slightly injured.

Jerusalem Police Chief Yosef Yehudai said the violence might have been prompted by a false Israeli newspaper report that Jewish militants had received permission to pray on the mount in violation of a 20-year-old Arab-Israeli understanding.

Moslem religious officials said at least 50 Palestinians were taken to hospital suffering from the effects

PALESTINIAN and Shia Moslem fighters fought at close quarters under heavy artillery cover yesterday for control of two strategic hilltop villages in south Lebanon, Reuters reports from Sidon.

Shia Amal militiamen and Palestinian guerrillas traded machine-gun, rocket and mortar

of the tear gas. Police made 12 arrests. Arab shopkeepers in Jerusalem's walled Old City closed their stalls.

The Wailing Wall, the last remnant of the biblical temple site, is Judaism's holiest shrine. Israel captured the area from Jordan along with Arab East Jerusalem in the 1967 Middle East war.

"We asked the police to allow us to pray there, but they would not allow it," said Mr Gershon Solomon, leader of the extremist Temple Mount Faithful group. There visit coincided with the Jewish Feast of Tabernacles, Sukkot.

The group's ultimate aim is to reclaim the mount for Judaism and rebuild the temple destroyed 2,000 years ago.

Police said the trouble began

fire across the battle-scarred streets of Raymour and Muhart-lye.

Guns were entrenched on hills around the villages pounded opposite slopes with artillery shells.

Police reported five men wounded on each side.

when Moslem youths formed a half circle to close off the main al-Mogh-rabi Gate entrance to the Temple Mount. Moslem security men were unable to disperse the crowd, and the youths threw rocks and bottles.

A pall of tear gas descended, scattering protesters on the mount and thousands of visitors who had gathered at the Wailing Wall to observe Sukkot as it was celebrated in ancient times when Jews made a pilgrimage to Jerusalem.

Police eventually allowed five group members to tour the mount briefly.

A Moslem worshipper told reporters: "Jews wanted to pray, but this place is not for them. It's forbidden. This is the Moslem place. They can come but not to pray."

Arab traders in the Old City

closed their shops in support of a commercial strike in the occupied Gaza Strip over a gun battle there last week in which four armed Palestinians and an Israeli security agent were killed, police said.

An Israeli man shot while walking in the Old City died on Saturday. An Israeli woman was slightly wounded when stones were thrown at a vehicle in which she was riding in Arab East Jerusalem.

Further disturbances were reported in Gaza, where the army said it shot and wounded at least seven Palestinian demonstrators on Saturday. Palestinian sources put the number at 15.

Military sources said troops dispersed youths who built stone barricades and burned tyres. Many schools were closed. Israeli troops bulldozed the shutters of some stores that refused to open, Palestinian sources said.

The Islamic University was closed by its own administration until Tuesday to prevent further violence during the four days of mourning for the four gunmen, members of the Islamic Jihad, killed in the gun fight.

Contenders line up for S Korean presidency

By Maggie Ford in Seoul

VOTERS in South Korea's first presidential election for 16 years this December are likely to have four candidates to choose from after a flurry of declarations and strong hints of their intention to stand by opposition centers.

Mr Kim Young Sam, leader of the Reunification Democratic Party, declared his candidacy at the weekend, breaking an agreement that he and his rival, Mr Kim Dae Jung, would decide between them on a single candidate.

Claiming that the ruling Democratic Justice Party, whose candidate is Mr Roh Tae Woo, was already trying to win the election by unfair means, Mr Kim said that he could no longer delay an announcement to run. The election is likely to be held on December 15.

Mr Kim Dae Jung issued a statement yesterday saying that he would announce this week whether he would run. To give up, he added, would mean that he had betrayed the people who believe in democracy. At a rally in a town outside Seoul 100,000 people turned out to hear the man who has been banned from active politics since 1980.

He said that his respect for Mr Kim Young Sam and friendship with him would not change even though the two had failed to agree on which of them should be the candidate. It was possible that the RDP would have two candidates, he said.

Mr Kim Young Sam is to hold his first public rally next weekend in Pusan, the industrial city where his main support lies. Mr Kim Dae Jung may visit the city the day before, on the anniversary of a 1975 uprising against the previous military government of President Park Chung Hee.

The fourth likely candidate in the election, Mr Kim Jeng Pil, was prime minister in that government. Later he was charged with corruption and removed from office by President Chun Doo Hwan, the current president, who is to step down in February. Mr Kim Jeng Pil is expected to declare his candidacy later this month.

Today the National Assembly is to approve the new constitution, negotiated by a committee of ruling and opposition party members.

S African sanctions high on Commonwealth agenda

WHEN Commonwealth leaders meet in Vancouver this week, high on the agenda will be discussion of why two years of limited sanctions have failed to bring rapid political change to South Africa.

Mr Nelson Mandela, leader of the African National Congress, has begun his second quarter century in jail. The ANC is still banned from the state of emergency remains in place, residential segregation is still codified in the Group Areas Act, the races continue to be classified by the Population Registration Act and President P W Botha has yet to start talks with credible leaders of the black community.

Specific sanctions were first imposed in protest at apartheid in the 1960s as the United Nations called for a mandatory arms embargo and Mr Harold Wilson, the then British Prime Minister, barred the sale of Buccaneer aircraft to South Africa's military. An Opec oil embargo was introduced in the 1970s.

However, the call for international sanctions, intended to force the Botha Government to dismantle apartheid, only gathered real momentum in 1985 when violence in the black townships focused world attention on South Africa's racial divisions.

The US, the European Community and the Commonwealth all introduced packages of selected economic and other sanctions. But spurred by declining business confidence and shareholder pressure, the private sector began its own initiative.

A chain reaction of divestment began in mid-1985 when Chase Manhattan, the US bank, refused to roll over or make new loans to South Africa. This led to a scramble by US and other bankers to end their exposure to a country seen as increasingly unstable.

These moves triggered a flood of divestment by foreign companies. By September 1985 the South Africans were forced to declare a moratorium on foreign debt repayments. The debt repayment agreement finally signed by South Africa and its creditors led to the reimposition of strict exchange controls designed to protect foreign reserves and now absorbs most of the country's current trade surplus.

Ironically divestment has to an extent taken some business pressure off the South African Government. Local businessmen, prevented from investing

Private sector divestment, sweetened by guaranteed access to licences and technology for the new owners, has helped relieve pressure on Pretoria from the business community over trade embargoes, reports Jim Jones from Johannesburg

abroad by exchange controls, have snapped up the South African interests of divesting companies at bargain prices. On the whole, those sales have been sweetened by guarantees that the new South African owners will enjoy licensing agreements, will have access to technical co-operation and will continue to receive components from abroad.

For their part, sanctions imposed by governments consist of three main packages. Last August the Commonwealth heads of government endorsed a ban on air links and an end to the import of agricultural products, uranium, coal, iron and steel. Other measures included a ban on the promotion of trade and tourism, new investment and new bank loans.

Britain, however, did not accept all the proposals, refusing to end air links or ban agricultural or coal imports.

The US last year cut air links with South Africa and stopped the import of agricultural products, coal, steel, iron, uranium and textiles.

The European Community measures, also introduced in 1986, included a ban on the import of iron, steel and gold coins and an end to new investment.

The Commonwealth's sanctions have had limited effect and are seen as irritating rather than damaging. The ban on air links has only led to an end to direct flights from Johannesburg to Sydney, coal and uranium continue to be sold in Britain, at least two official British trade delegations are due in South Africa before the end of this year and tourists who steered clear of the country

two years ago when the townships were in flames are now returning.

Strategic metals such as platinum, vanadium and chrome have escaped embargoes altogether, while gold and diamond exports are virtually impossible to control. Even Sweden, one of the most ardent anti-apartheid nations, has relaxed its sanctions to allow four large companies to continue selling mining and engineering equipment to South Africa.

Nonetheless sanctions have had a measurable economic impact. During the first seven months of this year disclosed exports to the American continent were 31 per cent down on sales in the corresponding period of 1986. Exports to Africa, Europe and Australia were also lower.

However, other markets have expanded. Japan has overtaken the US as South Africa's largest trading partner and trade with the rest of Asia has expanded.

At the same time new markets have been found for products barred from specific countries. South African coal producers have been particularly aggressive in selling their product. Barred from the US and Scandinavian markets since the start of this year, they have established new outlets in Asia.

As a result, fears that sanctions would lead to large-scale unemployment of black coal miners have not been fulfilled.

That is not to say, however, that the combination of sanctions, divestment and foreign debt commitments has not exacerbated the endemic problem of large-scale black unemployment. Although difficult to quantify, the fact that South Africa is committing balance of payment surpluses to foreign debt repayment rather than re-investing in the domestic economy has had a damaging impact.

Prominent black leaders, including Bishop Desmond Tutu, continue to call for intensified sanctions, views echoed by many South African trade unionists.

However, the black population is not unanimous in this view. Chief Mangosuthu Buthe, leader of Inkatha, the predominantly Zulu-backed organisation, opposes sanctions on the grounds that they hurt black South Africans more than whites.

This difference of opinion within black South Africa will not make the task of the Commonwealth leaders in Vancouver any easier.

Philippine unions to strike today

PHILIPPINE trade unions vowed to go ahead with a national strike today, despite concern that right-wing extremists would exploit the action to provoke trouble or launch new attacks against President Corason Aquino's government, AP reports from Manila.

The Labour Advisory and Consultative Council, a group of workers' organisations, claimed the strike would affect transport, schools, government and private offices, and factories.

The council called on workers to rally at more than a dozen points in Manila to press demands for a 10-peso (50.30) rise across-the-board in the daily minimum wage.

The government has asked Congress to enact an eight-peso increase, but the unions rejected that.

The council and the affiliated Trade Union Congress of the Philippines said they would call off the strike only if Mrs Aquino were to agree to 10 pesos.

The strike would be the first big labour action since the coup attempt of August 26, which came two days after workers had stopped public transportation in Manila and other cities.

IRAN OIL EXPORTS TO US

Reagan likely to approve ban

By Lucy Kellaway

PRESIDENT Reagan is likely to put his signature to a bill within the next few weeks that would ban all imports of Iranian oil into the US.

In theory the move could have important consequences for the oil market. It could put pressure on Iran to cut prices, undermining the agreement between members of the Organisation of Petroleum Exporting Countries that has succeeded for almost a year in holding prices at around \$18 a barrel. In practice, however, the ban will be difficult to enforce, and may prove ineffective without the compliance of Japan, Iran's biggest customer.

As the US has become increasingly dependent on imports for its oil supplies, it has been increasing its purchases from most Opec members, including Iran. Indeed, so far this year the US has spent more than \$800m on Iranian oil, and purchases are running at twice the rate of last year. The monthly totals have been erratic, however, rising in the early summer to a peak of 600,000 barrels a day, about one-third of Iran's total oil exports, and falling back to about 170,000 b/d in September.

Although the present figure is low compared with Iran's total oil exports of about 1.5m b/d, it is not insignificant, especially as the proposed ban comes at a time when Iran is already having difficulty selling its oil. According to the International Energy Agency, total Iranian oil production fell to 2.1m last month from almost 3m the month before. According to senior oil executives the position is likely to get worse this month and next.

While some of the recent decline in production may be due to war damage to Iranian oil installations, and a smaller part perhaps due to the French embargo on Iranian supplies, the most important cause is a drop in demand as a reflection of recent oil price movements. During July and August customers were fighting to buy Iranian oil at fixed prices, as the price on the spot market was about \$3 higher. With the two prices now in line, and with demand falling, Iran has had little choice but to cut production.

The force of the US ban would be increased if Japan, which accounts for about half of Iran's exports, could be persuaded to do likewise. While there was

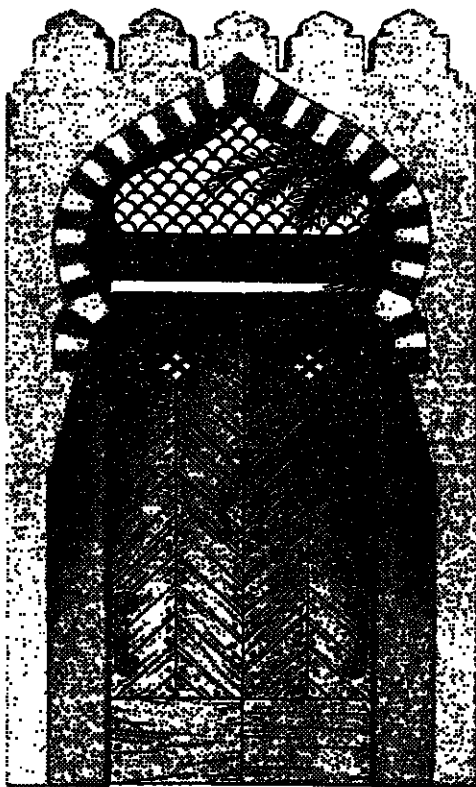
some speculation last week that the Japanese might take such a step to divert US attention from the two countries, an immediate move seems unlikely. Indeed officials in Washington have doubted that the US has the stomach for a concerted ban, as any resulting fall in the oil price would hurt the domestic economy.

In any event, the market appears unconcerned about the possible effects of an embargo. The ban imposed by France, which consumes a similar quantity of Iranian oil as the US, earlier in the year is reported to have failed to stop imports.

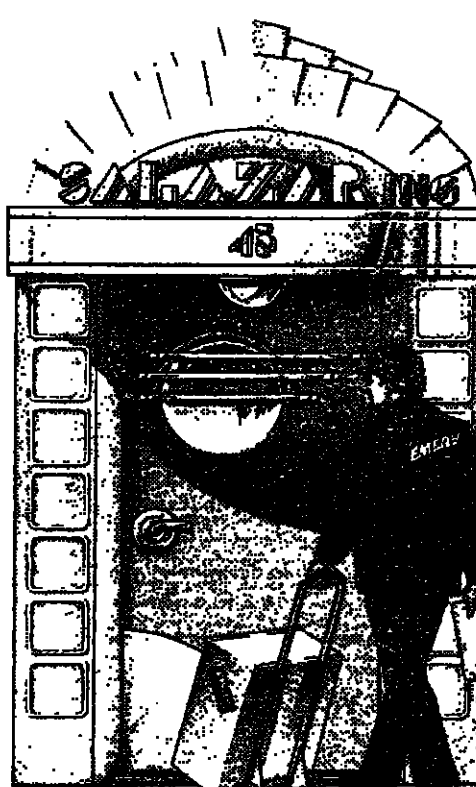
Indeed, the market is thoroughly cynical about the effectiveness of any oil embargo. It has seen South Africa buy all the oil it needs in the face of a comprehensive oil ban which few countries can be proved to be breaking. As the ownership of any given cargo can change several times during passage, it is easy to disguise where the oil comes from. Furthermore, if the oil is delivered first to Rotterdam, and then sent on - perhaps as refined product - tracing its origin becomes almost impossible.



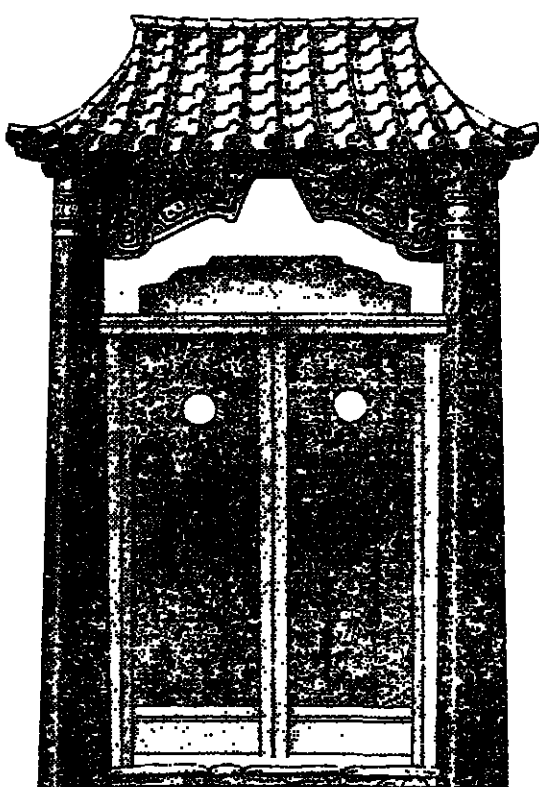
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OVERSEAS NEWS

Paris agrees to help fund propfan aircraft engine

BY IAN DAVIDSON IN PARIS

THE French Government is to make a FF2.5bn (£251m) advance to Snecma, the state-owned aircraft engine manufacturer, for its share of the production costs of the revolutionary "propfan" aircraft engine, the Prime Minister's office announced yesterday.

The decision gives the green light to the development of this new type of engine, which is expected to rival the speed of jet engines but at much lower fuel consumption and noise level.

Snecma and General Electric of the UK agreed in principle to collaborate on the development of the so-called Unducted Fan (UDF) engine two years ago, with Snecma undertaking 35 per cent of the project.

Snecma has been associated with General Electric in the production of aircraft engines for many years, notably through the companies' 50/50 partnership in CFM International, which makes the CFM 56-range

jets for the Airbus and the Boeing 737, but also directly through Snecma's 10 per cent share in the production of the CF6 engine, which powers the Boeing 747-400.

The Government announcement said that the reimbursable advance of FF2.5bn would correspond to 60 per cent of Snecma's share of the development costs. The company said that its share of these costs would be slightly under FF1.5bn, which implies that the total development bill could run to around FF4.0bn.

General Electric has never put a precise figure on the total expected development cost, though it has suggested rather smaller sums than this, of the order of FF1.5bn.

The revolutionary feature of the UDF engine is that it uses propellers with eight to 10 blades ducted like those of a ship's screw. The concept is designed to produce savings in fuel costs of up to 40 per cent, and

substantial reductions in noise levels, without sacrificing speed.

The first flight of a prototype UDF engine took place on a modified Boeing 727 in August 1986, and a second series of tests took place earlier this year on a McDonnell Douglas MD-80 yesterday.

One of the main targets of the new GE-Snecma engine, code-named the GE36, is expected to be the advanced technology Boeing 737 airliner with 150-170 seats. Since Boeing is now expected to delay the introduction of the 737 until 1993 or even 1994, there has been speculation that the GE-Snecma UDF engine would be similarly delayed.

Snecma continued to insist yesterday, however, that the new proposal, with its planned thrust of around 25,000 lb, would be ready by the planned target date of 1992, or even 1991, in time for the McDonnell Douglas 91.

US to give services proposals to Gatt soon

By Peter Montgomerie, World Trade Editor

THE US will present formal proposals for the liberalisation of world trade in services to the General Agreement on Tariffs and Trade in Geneva within the next month, Mr Michael Samuels, US ambassador to Gatt, said in London.

He told a press briefing that the proposals would seek to establish principles of increased transparency and non-discrimination for trade in services, as well as national treatment which would allow foreign service industries the same rights as the domestic industry in individual national markets.

They were, however, unlikely to go into sectoral detail at this stage.

The proposals could bring fresh momentum to this part of the current Uruguay round of multilateral trade negotiations, which has concentrated so far on establishing the necessary data and definitions on which negotiations could proceed.

Mr Samuels said that, despite the absence of concrete results to date, the Uruguay round was proceeding at a satisfactory pace. It should be possible to report definitive progress at a mid-term review late next year and the round itself should be complete on schedule by the end of 1990.

The latest European Community proposals on agricultural reform drew a mixed initial response, however. Mr Samuels said the EC had produced proposals sooner than expected.

The fact that they have a proposal at all is a positive sign. It shows that the EC is serious about negotiating agriculture.

It was too early to react in detail because the EC plans have yet to be agreed at ministerial level and may not be presented to the Gatt in their current form, he said.

However, they did seem to contain some unhelpful points in that they implied a partial increase in protection as well as suggestions of market-sharing.

The US had proposed a total elimination of trade-distorting subsidies by 2000, he said. There was support in the US farm community for such an approach, if it were on a multilateral basis.

There is a tremendous drain on the Treasuries of the world to support a minor part of the population," he added.

EC starts anti-dumping probe into American urea exports

BY WILLIAM DAWKINS IN BRUSSELS

A NEW irritant entered EC-US trade relations yesterday when the European Commission launched an anti-dumping inquiry into imports from America of urea, a chemical used to make fertiliser. The investigation which also covers imports from Austria, Hungary, Malaysia, Romania and Venezuela, follows the imposition last May of anti-dumping duties on dumped urea from eight other countries.

It comes in response to complaints from CMC-Engels, an organisation that represents the EC's top fertiliser makers, in-

cluding ICI of Britain, Montedison of Italy and BASF of West Germany. It claims that EC sales of urea from the six countries in the current case more than quadrupled, from 102,000 tonnes in 1985-86 to 414,000 tonnes in 1986-87, which represented an expansion in-market share from 3.4 per cent to 12 per cent. Production in the EC, already burdened with overcapacity, fell steeply in the same period.

To achieve this sales growth, the importers involved fixed their prices well below EC lev-

els and forced Community producers to drop their own prices in response, especially in West Germany, France, Ireland, Italy, Spain and Britain, claims the group.

EC producers say unfair pricing was to blame for several plant closures and others could be on the way if the alleged dumping is not stopped. Moreover, they want any duties charged to be backdated to when the dumping started. The Commission has given the companies involved 30 days to respond to the allegations.

Community milk quota system criticised in court report

BY TIM DICKSON IN BRUSSELS

SHARP criticisms of the way in which the European Community's milk quota system has been implemented are contained in a report just published by the Luxembourg-based Court of Auditors.

The Court, often dubbed the Community's financial watchdog, highlights flaws in the scheme's initial conception, the weak application of the rules by some member states, and poor supervision in several respects by the European Commission.

But it acknowledges that major changes were made in April this year which should make quotas more effective in achieving a better balance in the market.

The report follows the Commission's proposals last month that the milk quota system introduced in 1984 to control milk production in the Community through a levy on excess quantities should be made a permanent feature of the Common Agricultural Policy (CAP) when the current temporary arrangements run out in 1990.

This was based on the Brussels executive's own review a document which admitted certain initial deficiencies in the operation of the scheme but which drew attention to the more positive impact of the regime so far this year.

The Court of Auditors report points out that the aggregate level of quotas adopted by farm ministers in 1984 built in a surplus of milk production over consumption of more than 5 per cent and highlights the way in which unused quotas could be used by farmers to offset "over-deliveries," thereby severely reducing the disincentive effect of the so-called supervisory on excessive production.

It says that member states have generally devoted "considerable resources at national

and local level" but draws attention to some notable exceptions. Italy, for example, which is the Community's fifth largest milk producer, has not implemented the scheme on the grounds that it lacks the basic statistical data and administrative resources.

West Germany, the Netherlands and Belgium have issued quotas to farmers above their national limits, while France and Denmark have entered into questionable arrangements to reduce the penalties suffered by their farmers.

The Commission is also criticised for slowness in opening infringement proceedings against offending member states, weaknesses and gaps in its management information, and insufficient evaluation of the potential effects of its proposals.

Plessey set for Chinese deal

By Lucy Kellaway

PLESSEY, the UK electronics group, is expected today to sign a big contract with China for the sale of System X, the digital telephone exchange.

The order, expected to be worth about £10m, is the result of three years of negotiations and marks the first sale of the exchange in a major overseas market.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985-1987)

	Aug. '87	July '87	June '87	Aug. '86	% change over previous year
W. Germany	121.2	121.3	121.3	120.2	0.8
France	167.9	167.6	167.2	162.3	3.5
Italy	211.8	211.2	210.5	201.9	4.9
Netherlands	122.4	122.1	122.2	121.8	0.5
Belgium	148.4	145.1	144.6	142.3	2.3
United Kingdom	152.7	152.3	152.4	146.3	4.4
USA	138.8	138.2	137.8	133.1	4.3
Japan	115.2	115.1	115.7	114.7	0.4

Source: Concept USA Express

SHIPPING REPORT

Demand for tankers in Gulf stays high

By Kevin Brown, Transport Correspondent

DEMAND for tanker tonnage remained high in the Middle East Gulf last week, partly as a result of the temporary withdrawal of Japanese ships.

Brokers said charterers appeared to be nervous about the possibilities of a further increase in the level of hostilities, particularly in view of attacks on several vessels at the southern Iranian loading installation at Hormuz Island.

There was some concern that other owners might decide to follow the Japanese example on a more permanent basis, but this suggestion has been made several times before, and is unlikely to be acted on while demand remains high.

The Japanese ban on Gulf trading freed a number of cargoes for fixing on the open market, with a consequent upward pressure on rates which was not reversed when the ban was lifted towards the end of the week.

Gabraith's, the London brokers, said one large Japanese trading house had fixed a 210,000 tons deadweight very large crude carrier at Worldscale 60 for the trip to Japan, while a Japanese oil company paid Worldscale 54 to 230,000 tons on the same route.

E.A. Gibson Shipbrokers said rates up to Worldscale 60 were being paid by Japanese charterers for VLCCs loading in the northern Gulf, where owners face additional insurance costs.

Rates to Western destinations also moved upwards. Greek owners secured Worldscale 46 for a cargo of 250,000 tons to the US Gulf.

Elsewhere, the level of inquiries was said to be steady in West Africa, but deteriorating in the North Sea and Caribbean, where rate levels have been falling. Business was sluggish in the Mediterranean, although there was increased interest in the 130,000 tons class towards the end of the week.

In the dry cargo markets, the key US Gulf to Japan rate moved up slightly to \$17, and the Gulf/Continent rate to \$9.50. Brokers said the level of time-charter business for 1988 was encouraging, with good demand from Chinese charterers. There was little interest from the USSR, however.

Portugal and S Africa hold talks on dam

By Diana Smith in Lisbon

THE PORTUGUESE and South African foreign ministers held reportedly tough talks in Lisbon on Saturday in preparation for November meetings of Portuguese, Mozambican and South African officials.

There were said to be differences between Mr Joao de Deus Pinheiro, the Portuguese Foreign Minister, and Mr Pili Botha, his South African counterpart, in the talks, which focused on the Cabora Bassa Dam in Mozambique.

The dam was built by the former right-wing pro-South African Portuguese regime when Mozambique was a colony to carry electricity to South Africa.

Portugal has carried a \$600m debt on the project since the mid-1970s.

Since Mozambican independence in 1975, Portugal has held periodic fruitless talks with South Africa.

Crucial equipment and pylons have been systematically sabotaged by the Mozambique National Resistance (Renamo), the South African-backed rebel movement.

Portugal has earned nothing from the dam.

UK Trade Minister to visit Nigeria

BY NIM CASWELL

THE BRITISH Minister for Trade and Industry, Mr Kenneth Clarke, is planning to visit Nigeria at the beginning of November, it was announced at a seminar of the Nigerian-British Chamber of Commerce last week.

The visit, the first for several years by a British Trade Minister, marks a further step in the cautious rebuilding of commercial relations between the two countries after a period of acute economic difficulties.

Mr Clarke will inaugurate a three-day promotional campaign on the theme, Britain and Nigeria: Partners in Trade, in the northern Nigerian city of Kano.

He is also expected to hold talks with Nigerian officials on a recently announced £200m medium-term line of credit made available by Britain's Export Credits Guarantee Department.

He will also discuss broader questions touching on Nigeria's external debt of more than \$20bn.

Relations between the two countries have improved considerably under the administration of President Ibrahim Ba-

hangida, who took power in a bloodless coup in August 1985. Britain has been strongly supportive of the remedial measures taken to correct Nigeria's severe economic difficulties.

British exports to Nigeria have slumped from a peak of nearly £1.5bn at the height of the oil boom to £500m in 1986. Exports this year are expected to be a little more than £500m. The UK, nevertheless, remains the country's most important supplier, providing nearly 23 per cent of exports from the Organisation for Economic Co-operation and Development to Nigeria in 1986.

Addressing the Nigerian-British Chamber of Commerce meeting on Friday, the ECED's chief executive, Mr Malcolm Stephens, described his department's policy as one of keeping "prudent faith" with the Nigerian market.

The ECED he said, had been considerably more forthcoming than other credit insurers in maintaining and restoring cover. The department was looking at ways of extending short-term cover.

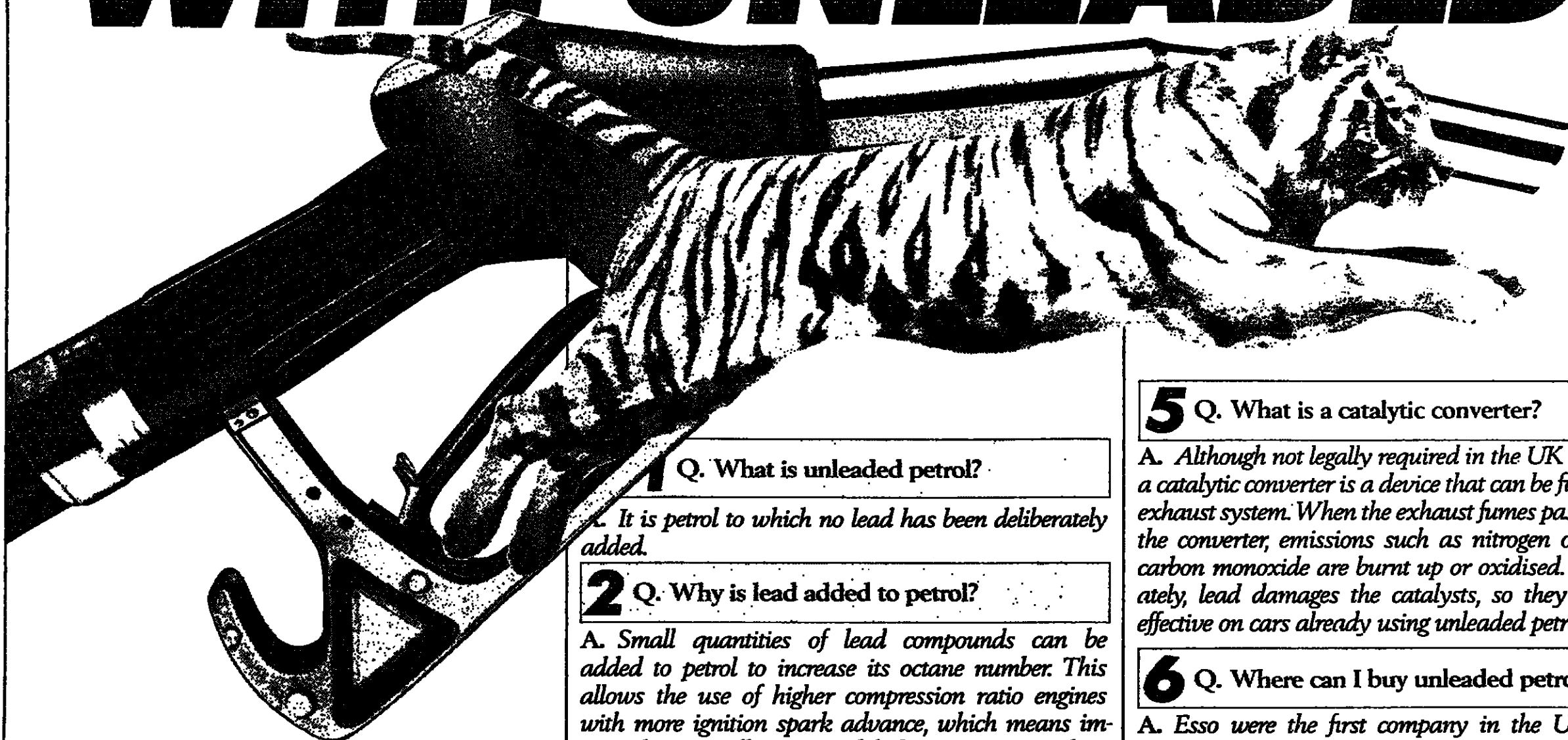
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Since then, our national network of strategically chosen sites has steadily grown and is far larger than that of any of our competitors. By December 1987, there will be over 200 Esso stations offering Esso Unleaded.

You may ask, "What has this to do with me? My car can't run on it."

The surprising fact is that 40% of post-1985 cars can run on unleaded petrol with minor adjustments to their engines. Eventually, of course, all new cars will be designed to run on unleaded, which should be widely available in the UK and other EEC countries by October 1989.

For motorists, the changeover will probably raise a series of questions – which is why we've produced this page.

Alternatively, you can pick up the Esso Unleaded leaflets, including our Service Station Site Directory, at your nearest Esso station.

We hope that in this European Year of the Environment you will find them helpful.

1 Q. What is unleaded petrol?

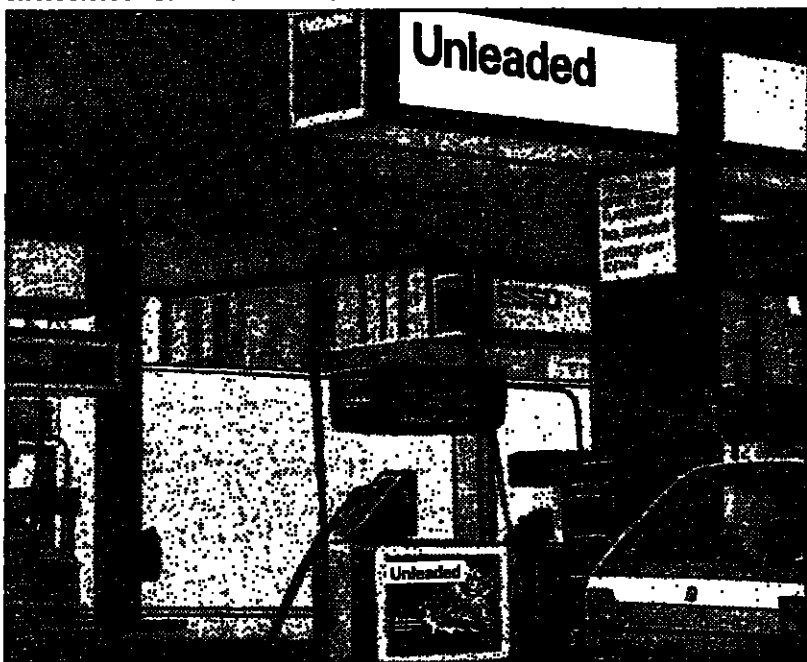
A. It is petrol to which no lead has been deliberately added.

2 Q. Why is lead added to petrol?

A. Small quantities of lead compounds can be added to petrol to increase its octane number. This allows the use of higher compression ratio engines with more ignition spark advance, which means improved engine efficiency and fuel economy. To replace lead we have to introduce more high octane compounds to compensate.

3 Q. What is 'low lead' petrol compared to unleaded?

A. Low lead refers to the normal leaded petrol which is currently available. This is because the lead content was reduced in all petrol to 0.15g per litre on 1st January 1986 from its previous level of 0.40g per litre, in line with British Standard 4040. Unleaded petrol is allowed to contain up to 0.013g per litre which is why it cannot be called 'lead free', although on the Continent this term may be used where unleaded cannot be translated.



4 Q. Can I use unleaded petrol in my car?

A. The majority of cars in the United Kingdom have been designed to run on leaded petrol. However, nearly 40% of post-1985 petrol cars are now capable of running on unleaded fuel, although most will need some minor adjustments to allow this. Eventually all new petrol cars will incorporate the necessary modifications for them to run on unleaded. Before attempting to use unleaded petrol you should check first with your car dealer or motor manufacturer.

5 Q. What is a catalytic converter?

A. Although not legally required in the UK at present, a catalytic converter is a device that can be fitted to the exhaust system. When the exhaust fumes pass through the converter, emissions such as nitrogen oxide and carbon monoxide are burnt up or oxidised. Unfortunately, lead damages the catalysts, so they are only effective on cars already using unleaded petrol.

6 Q. Where can I buy unleaded petrol?

A. Esso were the first company in the UK to put unleaded on sale. And since then we have been increasing the number of our service stations that sell unleaded petrol. We have more stations selling unleaded than our competitors – and by the end of 1987 the number of sites will have risen to over 200. For details of where you can buy Esso Unleaded please pick up a FREE copy of our latest site directory from any Esso station.

7 Q. How will I know which pump dispenses unleaded petrol?

A. Esso Unleaded pumps are clearly marked UNLEADED and will usually have a small pump nozzle and identification cover marked UNLEADED on the nozzle.

8 Q. What happens if I inadvertently put the wrong fuel in my car?

A. Given the safeguards mentioned above it would be very difficult for you to do so. However, an isolated incident may not be too serious. Unleaded petrol used in an engine designed to take leaded, or leaded petrol used in an unleaded engine, could eventually cause damage to the engine.

9 Q. What about other petrol fuelled equipment, like my lawn mower and chain saw?

A. Some will operate successfully on unleaded. However, you should check with the manufacturer or dealer for specific advice and follow their recommendations.

10 Q. For how long will leaded petrol continue to be available?

A. Unleaded petrol will be phased in over a number of years. Therefore both leaded and unleaded will be available for a transition period which will be as long as the present product is required to supply today's cars.

11 Q. What happens if I take my car to the Continent?

A. Both leaded and unleaded petrol are available in Europe. There may be slight differences in unleaded to take account of local conditions, but this is unlikely to affect a car that can run on unleaded petrol.



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THE MONDAY PAGE

Something rotten in the Nanny State



JOHN PLENDER

ARE sex and violence safe with the Tories? After the Blackpool conference last week there is plenty of room for doubt.

The Hungerford killings generated understandable concern about violence on television which called for a political response. Government insiders are critical, often to the point of paranoia, about standards of every kind on television. Yet it is hard to see what the proposed Broadcasting Standards Council unveiled on Wednesday by Mr Douglas Hurd, the Home Secretary, is going to do about it. Or, indeed, how such a quango can be regarded as ideologically sound by any committed Thatcherite.

We are told that the new body will receive complaints about taste, decency and violence in all forms of television, radio, cable and satellite broadcasts. But the only statutory power it is likely to have is the right to

ask broadcasters to put out its findings on their own programmes. This amounts to a mandate to do little more than is being done already. Programme makers are obliged either by law or the BBC charter to observe standards of taste and decency. We already have a Broadcasting Complaints Commission and politicians do not hesitate to create a monumental fuss which is faithfully reported in the press if they feel a television programme has gone over the top.

What the new quango will not do is address the one genuinely new area of concern about taste and decency in the media. That is the likelihood that satellite broadcasting will bring about a dramatic increase in the availability of soft porn and

violence on the screen—a personal worry of Mrs Thatcher. Yet there is nothing in the Broadcasting Standards Council's armoury to be that amounts to a convincing deterrent to the American, Australian or Italian entrepreneur who regards the British market as ripe for plucking.

This is not something that should come as a surprise to readers of this paper, because the internationalisation of broadcasting gives rise to very similar problems to the internationalisation of financial services. Over the present economic cycle, governments in the developed countries have been competing with each other to offer a lower level of financial regulation in order to attract business to

their own financial centres. Those who use and supply capital, naturally gravitate towards markets where regulation is minimal and dealing costs are consequently low. Thus, there is a risk that standards of behaviour and of prudential supervision will sink towards the lowest common denominator.

The best way to address the problem is through international agreements. In high finance this is a hard and slow grind. But ultimately it can achieve something because central bankers and security watchdogs do perceive a common interest in protecting both the investor and the system. In broadcasting, the outcome is more problematic. The British, American, Swedish, French and Italian view

of taste and decency is an amalgam that stretches the imagination to breaking point. As the writer George Milles once remarked, continental people have not the English love for water bottles. Or that at least is how some politicians would like the English to be persuaded.

What then is the Broadcasting Standards Council all about? A cynic would say that it is the perfect expression of the hypocrisy and mendacity that new affluence the Government over broadcasting. Deregulation is supposed to be the cornerstone of Thatcherite philosophy; freedom of choice is to be returned to the people. Yet, when it comes to the crunch, Mrs Thatcher does not trust the people; they are free to choose just as long as they choose the sanctioned

stuff that The Party deems fit. Unsolicited sex is, on the other hand, perfectly acceptable in the tabloid press. According to Mr Norman Tebbit, the outgoing party chairman, naked girls on page three of the Sun or the Star—both staunch Tory supporters—are “fun.” And in a remarkably frank pre-conference revelation on the BBC's This Week, Next Week, in which he firmly identified himself with the man in the pub, Mr Tebbit indicated that he saw no great difference between page three girls and paintings in art galleries.

Perhaps he was simply getting carried away by his own populist rhetoric. And certainly page three is, by modern standards, pretty innocent matter. But it is hard

to think of any previous Conservative politician of comparable status who could or would have delivered a statement of such stunning philistinism. It also reveals a thoroughly patronising attitude to ordinary people. Even the most paternalistic of the High Tories when Mr Tebbit so despises would never have taken so dismal a view of the aspirations of the British people.

The fact remains that where the media are concerned Thatcherism is about the Nanny State—robustly authoritarian when it comes to the press, but ultimately ineffectual in the face of the consequences of deregulation because the medium is the market.

INTERVIEW

The seven years' war

John Wyles meets Romano Prodi, president of Italy's IRI

ROMANO PRODI, who generally veers towards the round, has never looked trimmer. “When I am angry, I go running at night,” he says, inviting the obvious conclusion that he must have been in a blazing temper in recent weeks. A certain amount of cheer would have been easily understood: the president of the Italian state's Istituto per la Ricostruzione Industriale—better known throughout the world as IRI—has been battling his way through a series of political and industrial problems which would test the best of temperaments.

Not that Prodi's is lacking. One marvels at his constant bonhomie in a job subject to quite unusual pressures. Most conversations with him are punctuated by chuckles, uproarious laughter and frequent irreverent asides. His current sveits shape obviously owes

telecommunications, and the sale of minority shareholdings in several subsidiaries, last year IRI made a slender profit for the first time since 1974.

So if the balance sheet can look forward to better days, what contribution can IRI make to strengthening and diversifying the Italian private sector through privatisation. Prodi does not readily attack the subject of public, although he is not dodging it in practice. Alfa Romeo has been sold to Fiat despite years of heavy losses. IRI's stake in four major banks is being steadily diluted, while its holding in the country's most powerful merchant bank, Mediobanca, will soon be reduced from 56 per cent to 20 per cent.

Add in the new joint micro-credit venture between IRI's SGS and Thomson of France and the proposed merger between Italtel and Fiat's Telettra and you have a picture of gradual but determined changes in many cases IRI is retaining a “core shareholding” in its enterprises. Prodi shies away from the word privatisation—he has let it be known on occasions that it is too closely associated with Britain's Mrs Thatcher, whose barnstorming approach is somewhat offensive to the deeply engrained Italian habit of consensus.

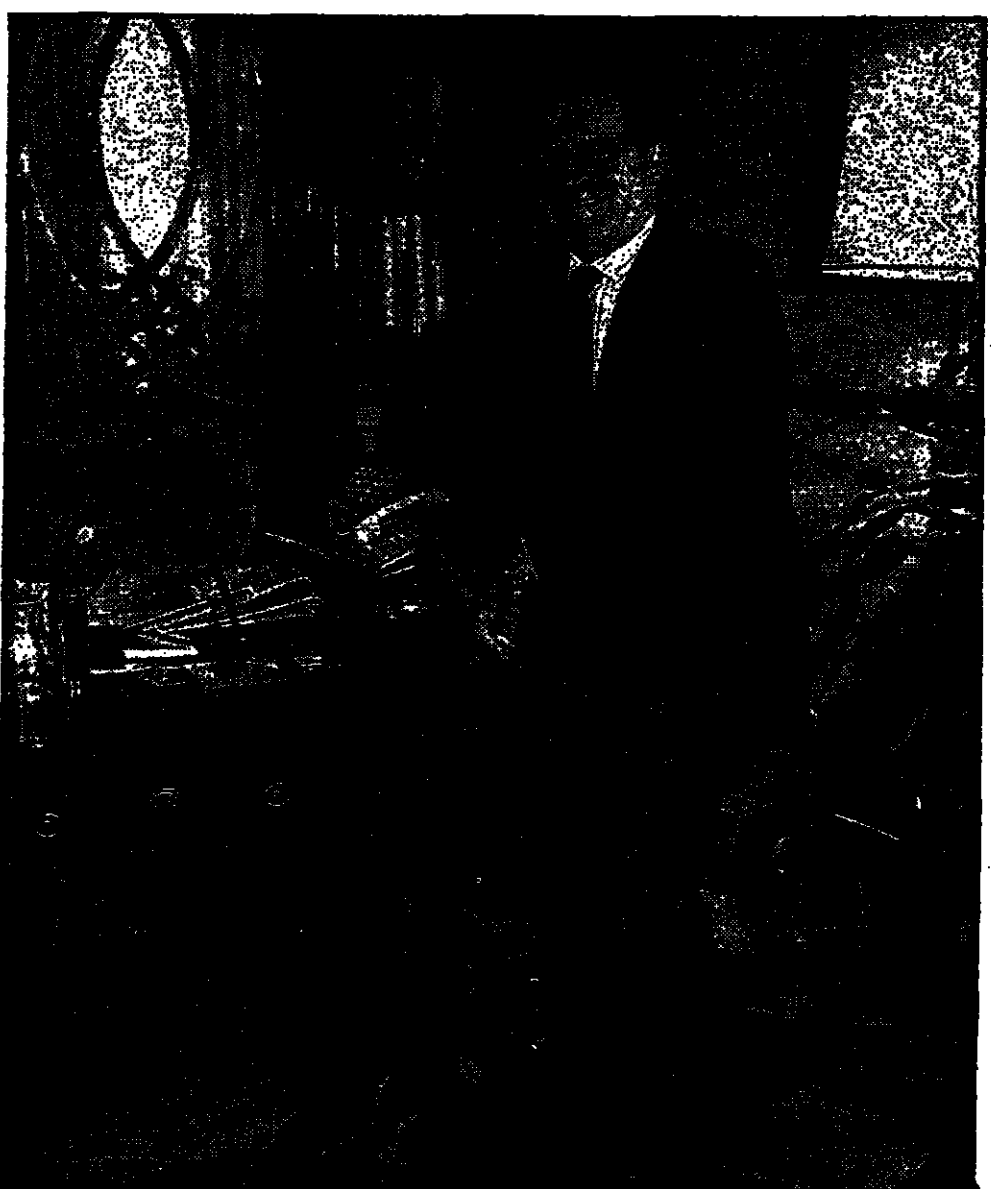
Prodi is also wary of stirring up a domestic hornet's nest among politicians attached by conviction or self-interest to the current public sector activities.

So he talks instead of moving the “mobile walls” between public and private sectors. These were created by necessity 50 years ago and some necessities no longer apply. My simple rule is that if Mr X can do this well, why should the government?

The privatisation process in Britain and France is greatly helped by coherent government majorities. Italy has been ruled by five-party coalitions since 1963 and Prodi has to be determined, subtle and occasionally devious, to persuade politicians to help shift his “mobile wall”.

The absence of political cover can be a bitter experience as he found when his attempt to privatise SMI, the food subsidiary, collapsed in 1985 in the face of opposition from the then Prime Minister, Mr Bettino Craxi.

Ridiculed but unbowed, he shifted Alfa out of IRI almost a year ago and then accepted the pause imposed by last June's general elections. But even relatively straightforward exercises like putting Italtel



into a joint venture with Telettra can hit unexpected potholes.

The proposed joint venture, Telet, is for Prodi a perfect rationale for privatisation because it creates a telecommunications company of sufficient size to interest major companies such as Siemens and Ericsson in collaboration. “We have a current full of his steel problem. Finisider, the IRI steel holding company, is heading for a loss this year of 1,150,000m (€95m) after last year's 1,084m loss.

Prodi says he is ready for a second round of capacity and job cuts and accepts personal responsibility for the fact that past restructuring and a 55,000 reduction in employment numbers have still not put the public steel sector on its feet.

But the bargain he wants to strike with the European Commission in Brussels would allow him to write off much of Finisider's debt in return for closing plant.

“We would be running some public services like the telephone system with minority shareholdings. We would still have the statestrade and some civil construction for projects which cannot be done by public administration. We would also have weapons, through such companies as Finmeccanica (shipbuilding), Aeritalia (aerospaces) and Selenia (electronics)—although I never talk about this.”

“We don't make mines,” said Prodi in a smiling reference to a current scandal over possibly illegal exports of Italian mines to Iran and Iraq. “Normally,

people think we give fewer problems (than the private sector) with arms because we don't do anything without the authorisation of the Foreign Ministry.”

In addition to sorting out the Telet squabble with Fiat and plotting the privatisation of Mediobanca, Prodi's mind is currently full of his steel problem. Finisider, the IRI steel holding company, is heading for a loss this year of 1,150,000m (€95m) after last year's 1,084m loss.

Prodi has committed around 1,150,000m of IRI investment to the Mesogioirio over the next three years, an act which, perhaps, plays more to the gallery of unchanged attitudes in Italy. There is still a touching faith in Rome that the problem of regional backwardness will be solved by throwing more money at it. Prodi prefers to keep his own counsel, but it would be politically unthinkable for IRI not to be setting an investment example.

After five years of riding the political punches and nudging his group towards greater private ownership and a more rational structure, Prodi is still enjoying himself. “I am enjoying myself,” he says with something of a second-rate reputation—professional, you know—and I have shown that change is possible. I treat this experience like a temporary battle lasting six, probably seven years and then I shall go back to academic life.” Demonstrating that he has lost none of his didactic urges, he scribbled out five aphorisms as we left, the last of which says simply, “enjoy fighting.”

Italy of the 1970s. Prodi enthusiastically welcomes a change of mentality which he says is making the task of redesigning IRI easier.

“It is gaining unbelievable momentum, everything is discussed, we have lots of allies and the difference is enormous. Of course with a better rate of growth to offset 11 per cent unemployment I could go even faster. And there is still the problem of the Mesogioirio...”

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Judge Bork and the law are losers

By Leo Herzel and Daniel Harris

AT THE University of Chicago Law School, Judge Robert Bork's alma mater, some faculty members play a game of ranking the most insignificant justices in the history of the Supreme Court. Judge Bork would never have made such a list. Nor is it likely he would have been a candidate for any other list of Supreme Court justices with unsuitable or disagreeable characteristics.

In fact, Judge Bork probably would have been a highly stimulating intellectual and effective Supreme Court justice, particularly on economic and business issues. His economic sophistication made him an ideal replacement for Justice Powell, who was the Supreme Court's only corporate lawyer and its leader in business cases.

Judge Bork was assailed on social issues, but even his enemies had to acknowledge that he was not a racist, a sexist, a bigot or an authoritarian. (He, however, does carry quite far a belief in allowing individual merit, competition and freedom full sway.) While his appointment might have given the Court slightly to the right on a few issues, it is highly unlikely that he would have attempted to overturn the civil rights decisions of the Warren Court. After his confirmation at the Senate Judiciary Committee this no longer seemed to be an issue.

Why then is Judge Bork's nomination being attacked so bitterly? His inconclusive record was a big factor. Robert Bork was a quick-witted, intellectually aggressive and ambitious young man when he arrived at the Yale Law School faculty, a little later, after a career as a practicing lawyer. Coming out of an intellectual tradition at the University of Chicago where finding fault with highly regarded and widely accepted sort ideas was a prized activity, he found plenty of unchallenged soft ideas to attack. He began with antitrust law and broadened his challenge to constitutional law. In the process, he made enemies among lawyers, intellectuals and (with some notable exceptions) they did not support him in his time of need.

This hurt him badly because it left political and pressure group enemies with an open field. Some of Judge Bork's critics argued that his originalism was a facade for a very conservative point of view and some of his statements appeared to bear out these concerns. For example, he criticised Supreme Court decisions barring sterilisation of convicted burglars, prohibiting poll taxes and preventing court enforcement of racially restrictive covenants in real estate deeds.

Many Americans were troubled by Judge Bork's apparently chilly view that the Constitution should be interpreted by the courts in an



Judge Bork

Judge Bork stepped on to difficult ground with his advocacy of originalism, the doctrine that the constitution should be interpreted as it was intended by those who wrote it. Originalism contains an important common sense insight that probably had been slighted in the 1960s and 1970s, but as a constitutional theory its usefulness is limited. It is very hard to discern the original intent behind the general language in the controversial parts of the Constitution, for example, the First Amendment, the Due Process Clauses in the Fifth and Fourteenth Amendments and the Equal Protection Clause in the Fourteenth Amendment. Moreover, many of the farmers were probably widely enough to anticipate that judges in the future would adapt the deliberately general language of these provisions to the circumstances of the future.

Some of Judge Bork's critics argued that his originalism was a facade for a very conservative point of view and some of his statements appeared to bear out these concerns. For example, he criticised Supreme Court decisions barring sterilisation of convicted burglars, prohibiting poll taxes and preventing court enforcement of racially restrictive covenants in real estate deeds.

Many Americans were troubled by Judge Bork's apparently chilly view that the Constitution should be interpreted by the courts in an

intellectually rigorous and morally disinterested fashion. Most Americans see themselves as members of some minority and are apprehensive of the possible excesses of fluctuating majorities. The Constitution is their final guarantee against oppression and the Supreme Court is the special guardian of the Constitution. In a nation where minorities are a key but uneasy element in the coalition, is a very touchy minority on the subjects of birth control, abortion and privacy. Sometimes Judge Bork appeared contemptuous and deliberately provocative in discussing these class sensibilities. The political decline of President Reagan and the way he connected his conservative agenda with the nomination made things much easier for Judge Bork's opponents.

Business law would be the main casualty of Judge Bork's defeat. Before Justice Powell improved the Supreme Court's nomination made things much easier for Judge Bork's opponents.

Judge Bork is even more sophisticated and interested in business and economic issues than Justice Powell. His book, *The Antitrust Paradox*, played a major role in redirecting US antitrust laws toward the promotion of consumer welfare. Judge Bork's apparent defeat is a loss to business law and, in general, to intellectuality in the Supreme Court. The intellectuals who oppose him are, unintentionally, making a telling case against nominating intellectual lawyers for the Supreme Court.

The authors are partners in the law firm Mayer, Brown & Platt.



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The T-series didn't start life as a saloon car stretched to accommodate extra loads. It started life as an estate car, purpose designed. And functional though it is, it's one of the most elegant cars in production today.

Clean-cut, sleek looks add significantly to its slipperiness, evidenced by a drag coefficient of just 0.34. An impressive figure when you consider the priority Mercedes-Benz put on the practical nature of an estate car. Other innovative technical achievements are equally significant.

Under the bonnet of the 300TE lies a powerful engine featuring microprocessor controlled ignition and electro/mechanical fuel injection. The single overhead cam, straight six delivers 188 bhp from its 3 litres and the four-speed automatic box has both sport and economy settings.

The performance, as a result of all this meticulous technical nurturing, is remarkable. Without any undue stress, to either engine or driver, the 300TE can gracefully exceed 130 mph. Should you wish to pass 60 mph in the shortest possible time it will take less than 9 seconds (manufacturer's figures).

The much sought after 200T and 230TE share the same aerodynamic good looks but have very efficient 2 litre and 2.3 litre, four cylinder engines, respectively. The 250TD has an even more economical 2.5 litre, five cylinder, diesel engine. To prove the point, official figures for the 250TD, 5-speed manual are 29.7 mpg in the simulated urban cycle, 48.7 mpg at a constant 56 mph and 36.2 mpg at a constant 75 mph. Yet the diesel is capable of over 100 mph (manufacturer's figure).

As you'd expect from a Mercedes-Benz the roadholding is very sure-footed. On all T-series the multi-link rear suspension system incorporates a self-levelling device, so irrespective of the load carried and the road surface, they retain their composure.

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Not only is there plenty of room for unusually long and awkward shapes but plenty of ways to fit them in. The rear seat can be divided and the front passenger seat folds back to give five different load space combinations.

Besides loads of room there are loads of seats. An optional, rear-facing, retractable row of seats suitable for two children, increases to seven the number of people a T-series can carry in comfort.

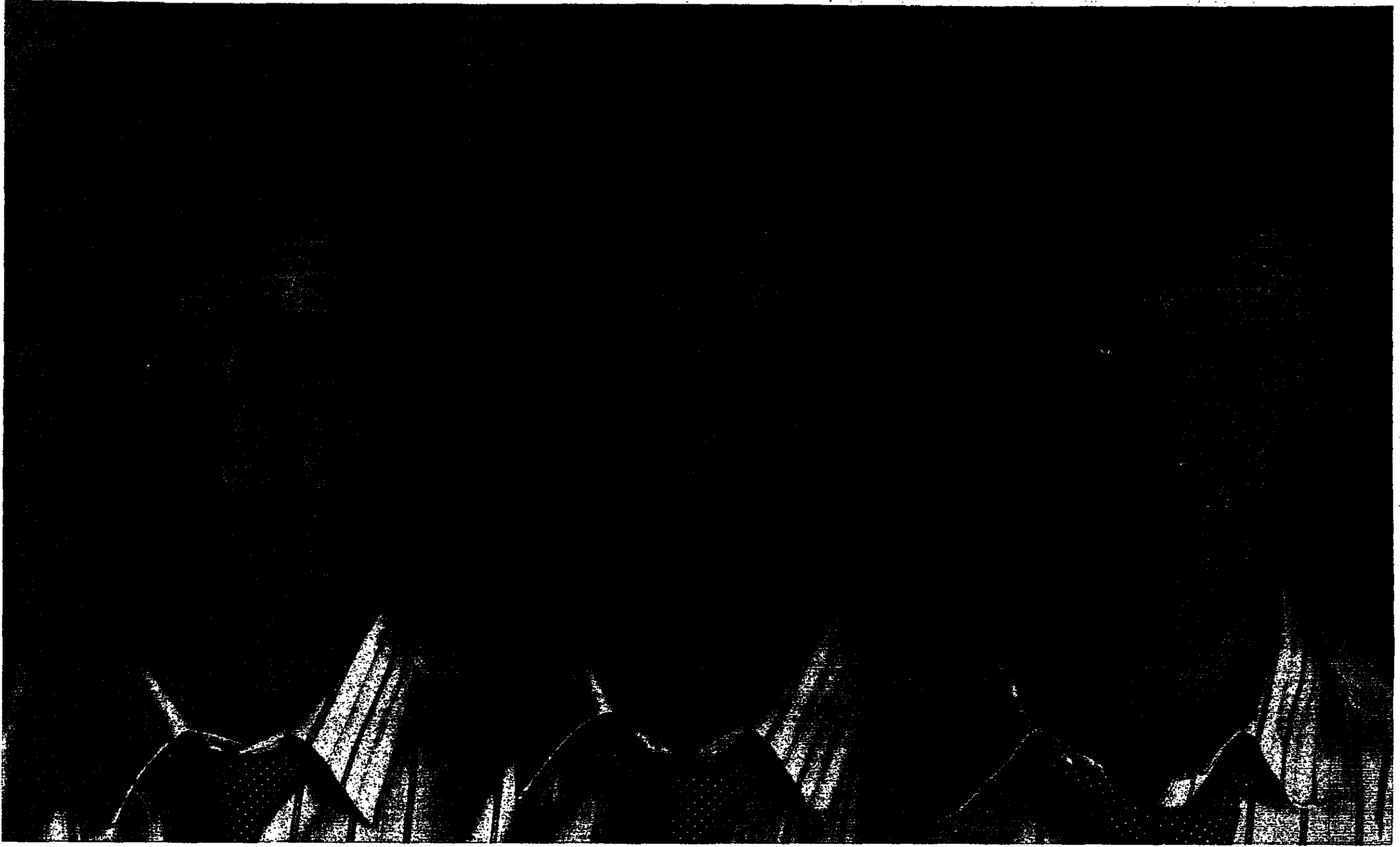
"Performance Car," who recently tested a 300TE against its two main competitors, called it "Superbly engineered and executed with a degree of attention to detail that neither of the others can match."

All this adds up to the T-series being not just a practical car but a desirable object, to boot.



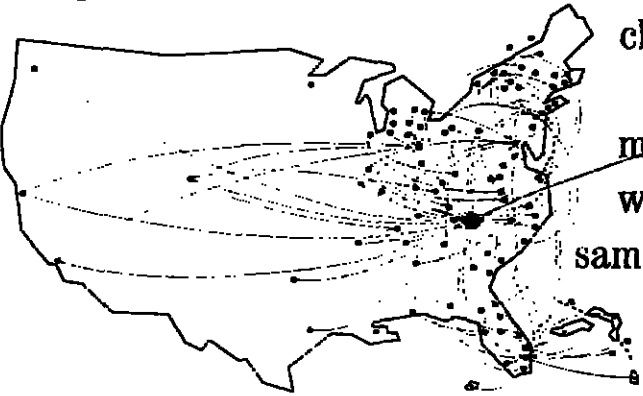
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True, a modern jet will do the same journey in less than half

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But that rather ignores one simple fact.

In 1919, the Vimy was the only plane in the air and it carried two people.

In 1987, on an average day, over 300 planes make transatlantic crossings and they carry the best part of 100,000 people.

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Charlotte, North Carolina, the recently approved final gateway on the eastern seaboard.

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Promises?

In a word, yes.

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(For comparison's sake, for every one transatlantic passenger arriving at Charlotte, 180 arrive at JFK.)

You'll get a Piedmont escort from Piedmont's custom-built international gate to help you make your connecting flight.

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58 US cities, including the 16 largest.

As for Piedmont, it's the fastest growing major airline in America.

To give you some idea just how fast, its route network has increased tenfold in as many years, which makes it the biggest carrier east of the Mississippi.

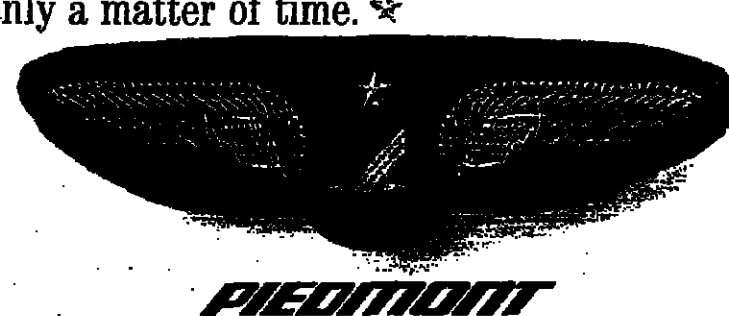
Its Ops Division has come to handle 1,200 daily flights to more than 110 destinations in the States and Canada.

Piedmont now has the biggest fleet of 737s in the

world and, in terms of passengers carried (24 million against 18 million) it's bigger than the world's favourite airline.

No, Piedmont isn't exactly a household name in the UK as yet.

But, rather like flying the Atlantic, it's only a matter of time. ✧



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Opinion 155

UK NEWS

Building prices in south outpace rest of Britain

BY ANDREW TAYLOR

PRICES CHARGED by building contractors in the private construction market of south-east England, West Europe's busiest, are rising five times faster than in the rest of the UK.

Figures published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors show that construction tender prices rose by 20 per cent in the south-east in the two years to this March. Prices rose just 4 per cent elsewhere in the country over the same period.

The figures also show this gap to have widened. Building prices in the region, for example, rose by 15 per cent in the 12 months to March 1987, compared with an increase of just 5 per cent in the preceding 12 months.

The institution's survey covered tender prices accepted from contractors for some 150 sorts of building. It defined the south-east as the area enclosed

by the counties of Norfolk, Cambridgeshire, Bedfordshire, Buckinghamshire, Oxfordshire, Wiltshire, Avon and Hampshire.

Construction orders in the south-east have risen due to a massive increase in office building, particularly in the City of London, which accompanied the Big Bang deregulation of the securities markets a year ago.

Demand for out of town shopping centres, encouraged by the completion of London's M25 orbital motorway, have also boosted construction orders in the south-east, as has a surge in private housebuilding during the past 18 months. Private housing starts in England and Wales this year are expected to reach a 15-year high.

The pace of new building is such that many contractors in the south-east fear the market may overheat. Skilled building workers remain in short supply following the decline in construction activity in the second

half of the 1970s and the early 1980s.

A number of workers have been brought in from other regions where the construction recovery has been more limited.

Contractors also report that construction specialists from the Irish Republic, where the building market is depressed, have established representative offices in London and the south-east in a bid to take advantage of the upsurge in construction work.

The pace seems unlikely soon to slacken. Major projects already under way or planned in the south-east include the Channel tunnel, a crossing of the river Thames at Dartford, the completion of a large new international terminal at London's third airport at Stansted in Essex, the Canary Wharf office development in London's docklands, together with further planned City and docklands developments.

Ministers in row over successor to Tebbit

BY JOHN HUNT

MRS MARGARET THATCHER, the British Prime Minister, faces a dispute within her Cabinet over the choice of the next Conservative Party chairman. Mr Norman Tebbit, the present chairman, is expected to stand down soon.

The choice lies with Mrs Thatcher, who wants Lord Young, the Trade and Industry Secretary, to have the job. She believes he is the right man to reorganise the party's central organisation, which came in for some criticism this year for its handling of the general election campaign.

Lord Young has indicated that he is willing to take the job, but only if he continues at the Department of Trade and Industry, where he is leading the Government's campaign for the revival of the inner cities.

Some senior ministers, however, are strongly opposed to his holding the two jobs. They argue that it would be impossible for one man to carry the burden of two such major areas of responsibility.

They also point out that there could be a strong conflict of interest. As party chairman, Lord Young's responsibilities would include soliciting party funds, much of which comes from industry. At the same time his departmental responsibilities would involve him in decisions affecting companies.

The dispute simmered last night after Mrs Thatcher left London to attend the Commonwealth Heads of Government meeting in Canada. Mr Norman Fowler, the Employment Secretary, entered the dispute on the side of Lord Young. He let it be known that he was not opposed to his candidature and that his position at trade and industry would not deter him from holding the chairmanship at the same time.

Mr Fowler was angered at one report suggesting he was against Lord Young. Mr Fowler apparently believes Lord Young would be a sensible and good choice for the job.

The arguments against Lord Young's appointment are believed to have been put to Mrs Thatcher by Viscount Whiteley, her deputy and leader of the House of Lords, and Mr John Wakeham, leader of the House of Commons.

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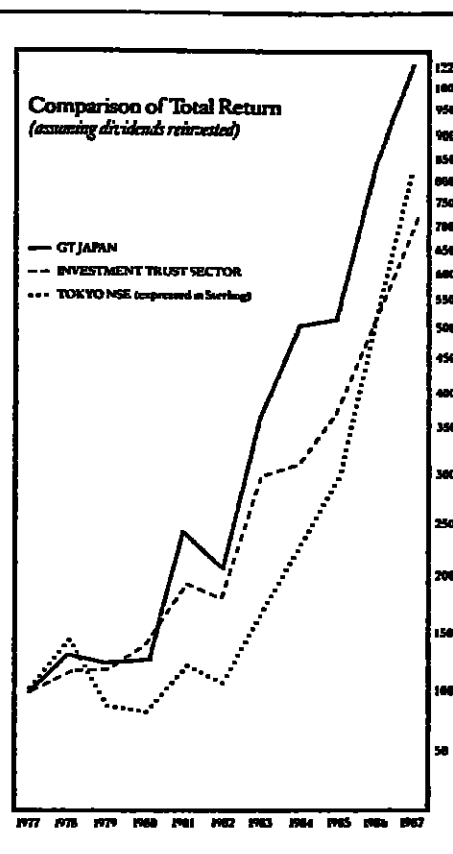
The Directors are recommending payment of an unchanged final dividend of 10p per share, plus a special dividend of 0.3p per share, making a total for the year ended 30 June 1987, of 1.7p (1986: 1.4p).

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reconstruction of the portfolio which has been undertaken in recent months.

The Board believes that these changes leave the trust well placed to benefit from the new trends in the market.

The Directors are proposing to establish a savings and dividend reinvestment scheme to be operated by the registrars, The Royal Bank of Scotland plc. The Board will be seeking shareholders' approval for the scheme at an Extraordinary General Meeting to be held following this year's Annual General Meeting on 26 October.

For details of the new Savings Scheme, and the new Annual Report, please send the coupon below to:

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Magazine trade criticises Post

BY DAVID THOMAS

THE PERIODICAL Publishers Association, the trade association for the UK magazine industry, is studying ways of switching the distribution of magazines to private carriers because of dissatisfaction with the service offered by the Post Office.

A broad move by magazine publishers to alternative forms of distribution would be a severe blow to the Post Office, which has largely escaped the type of controversy over quality of service which has recently hit British Telecom.

News of the association's dissatisfaction comes on the eve of the publication of a survey by the Mail Users' Association, representing large business mail users, which is also likely to cast doubt on Post Office's claims about quality of service.

The Periodical Publishers Association carries out regular surveys on quality of service jointly with the Post Office.

These surveys are confidential but are understood to show that well below 70 per cent of first class mail gets to its destination the day after posting.

The Post Office has a 90 per cent target for first class mail and said the figure was 88.4 per cent in the last quarter.

The magazine industry is also concerned about a new Post Office scheme, called Mailort, which it claims will lead to its members pre-sorting more mail without receiving an extra discount.

However, the Post Office said yesterday that it intended to talk to the association about extra rebates under the scheme.

employment service since 1972. The plan to merge the services, a largely unnoticed part of the Conservative's election manifesto, will have far-reaching consequences for the treatment of the unemployed, officials said.

Control of the Job Centres will be transferred from the Manpower Services Commission to the Department of Employment on October 28. The Government's benefit payment

and job placement services were separated gradually in the 1970s, after the opening of the first Job Centre in 1972. The Job Centres last year accepted 2.4m vacancies from employers and placed 1.5m people in work, of whom 1.6m were unemployed.

The Restart counselling programme for the long-term unemployed already includes tests of availability for work, including questions on willingness to travel.

Senior officials at the Department of Employment believe, however, it may take up to four years to complete the merger, which will be the most sweeping change to the public em-

Benefit claimants face new test

BY CHARLES LEADBEATER, LABOUR STAFF

THE GOVERNMENT is almost certain to begin periodically to test the availability of unemployed people for work as a condition of their receiving unemployment benefit. It is part of a plan to merge Job Centres and unemployment benefit offices.

Senior officials at the Department of Employment believe, however, it may take up to four years to complete the merger, which will be the most sweeping change to the public em-

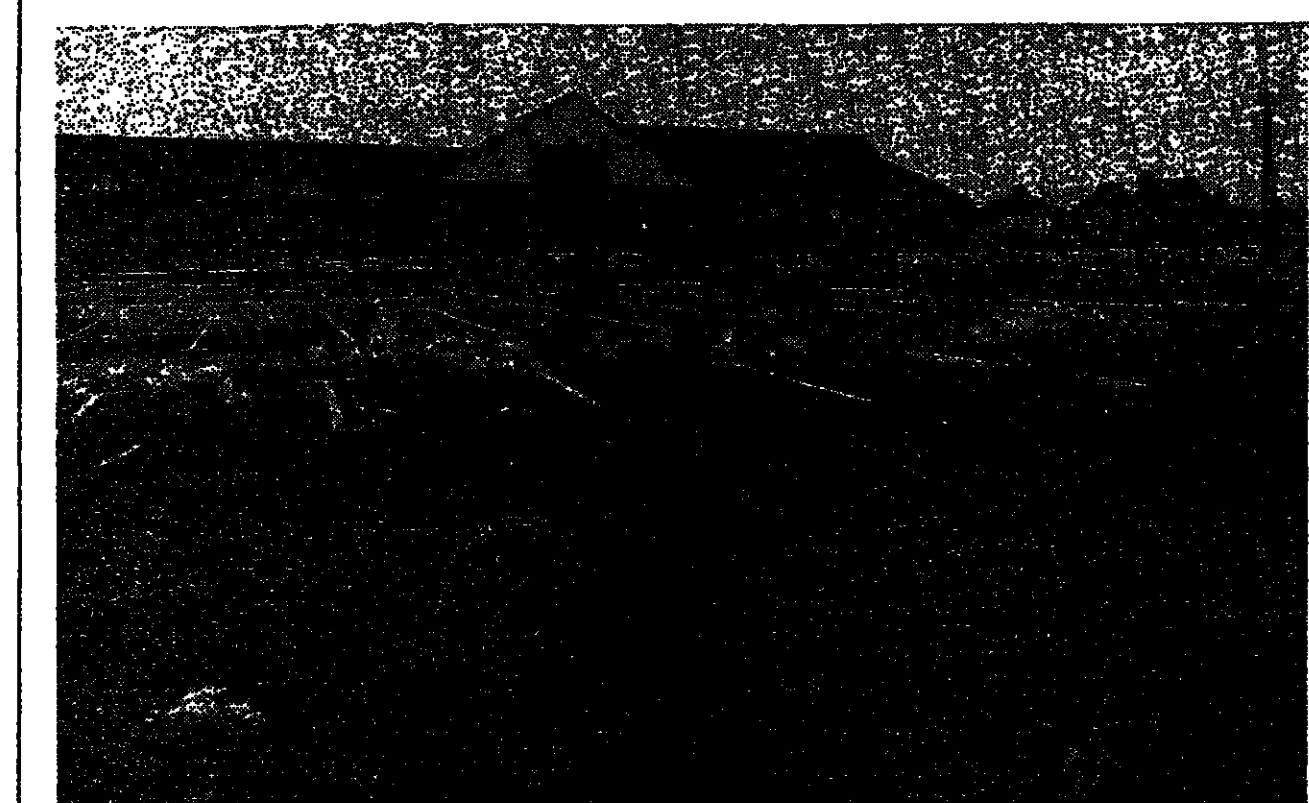
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ENERGY BLUEPRINT HELPING BUSINESS MAKE MORE OF ITS ENERGY



New light on pool efficiency

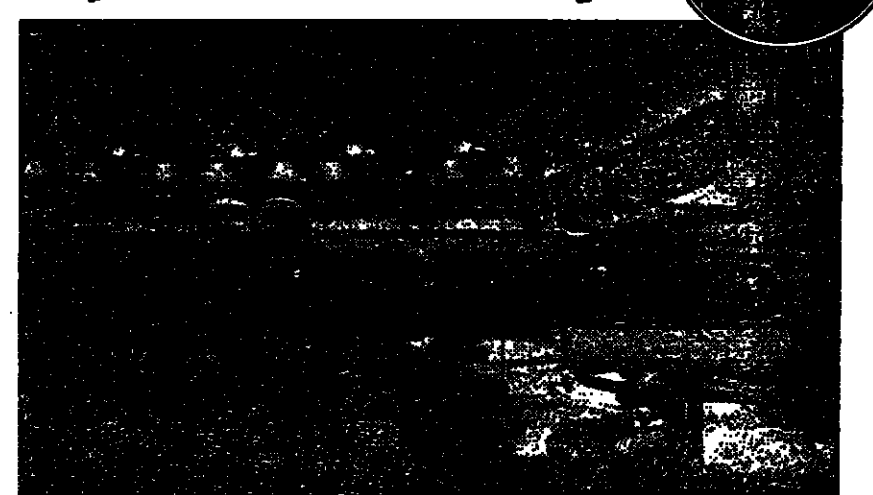
Energy efficiency is the theme of a versatile lighting scheme provided at the Newport Centre, Wales, whose major feature is a swimming pool incorporating a diving area, wave machine, flume and shallow 'beach' area.

The centre is used for a variety of events, ranging from poolside fashion shows to galas and pool parties and an important requirement of the lighting is that it should enable different moods to be created to suit the occasion.

To provide this flexibility, parts of the lighting installation can be selected by means of a comprehensive switching system.

General lighting for the irregularly shaped pool consists of 40 wall-mounted floodlights housing 400W deluxe high pressure sodium (SONDL) lamps. Half of these are equipped with black louvre blades to minimise direct glare. The full installation provides an average, horizontal illumination over the pool surface exceeding 500 lux, but this can be reduced to about half when daylight is available.

Thirty-two low-energy 200W tungsten halogen floodlights illuminate the brickwork, providing local lighting for the



spectators' gallery and reducing contrast from the main lighting. Decorative effects can be added by a number of 500W tungsten halogen spotlights equipped with external colour filters.

To improve pool safety and reduce reflection, 14 special underwater lumi-

nares housing 400W metal halide (MHF) lamps are mounted in the pool sides.

In the restaurant overlooking the pool, tables are lit by compact, individual fluorescent lamps, continuing the energy-efficient theme.

For more information tick coupon box 2.

Hotel comfort is all-electric

Although mains gas was available, the new Cedar Court Hotel at junction 39 of the M1 Motorway at Wakefield chose electricity to meet practically all its energy needs - and has been more than satisfied with the results.

The hotel has 100 bedrooms and extensive conference facilities. The owners wanted comfortable conditions to be available for guests no matter what time of day or night they arrived.

Yorkshire Electricity Board was called in to carry out a feasibility study to assess the needs for bedroom and other heating services throughout the building.

Acting on the Board's findings, after carefully considering the alternatives, the hotel management opted for electricity for the hot water and environmental comfort requirements.

First, direct-acting electric heating proved to be competitive with gas for the intermittent requirements in bedrooms. Electric panel heaters controlled by integral thermostats and a central energy



management system provide the desired comfort level.

In corridors and stairways, electric storage heaters maintain reliable warmth using low-cost night-rate electricity. Seven heat pumps provide air-conditioning in other public areas.

Hot water, too, makes extensive use of the low cost night-rate electricity. Bedrooms, kitchens, bar areas and public facilities are served by 28 factory-insu-

lated water heaters with thermostatically-controlled immersion elements. The heaters are located close to where the water is needed to avoid excessive pipe-work losses and range in size from five to 2,300 litres to match needs in different locations.

Also, energy-efficient lighting has been installed throughout the hotel and the central energy management system ensures that the most effective use is made of the electricity tariff.

Annual running costs for all the electrical services in the 100-bedroom hotel, including conference facilities, have consistently worked out at an economical £525 per bedroom (or £9.80 per square metre) for each of its two years in operation. It is no surprise, that with a scheme so straightforward to run, the owners, Acropolis Hotels Ltd, are planning to use the same system again in an extension of Cedar Court and in other future developments.

For more information tick coupon box 1.

Light relief for home furnisher

Display lighting generates heat and for Harvey Furnishing at Harlow, electricity has provided some light relief.

The group's showrooms in Harlow are in the town's Harvey Centre, a covered shopping mall. With no windows or skylights to admit natural light, the entire customer area is illuminated by strip and spot lighting.

As a result, an efficient and reliable air-conditioning system was needed to maintain a comfortable working temperature in the store. Though the main requirement was for cooling, there was also an occa-

sional need for additional heat.

The solution was a system of ceiling-recessed, split-system heat pumps capable of either heating or cooling. Two two-way air direction cassette-type units, installed in the centre of the showroom, fired easily into the existing ceiling space. No duct work was required and simple pipe connections to the outside condenser unit were all that was needed.

Operated by a remote wall-mounted controller providing a wide range of settings, each unit heats or cools as necessary.

An integral electronic control system automatically maintains a comfortable temperature and prevents energy waste.

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C/173

UK NEWS

Reply due over lawsuits for rule book breaches

BY CLIVE WOLMAN

LORD YOUNG, Trade and Industry Secretary, will this week reply to lobbying by City institutions for postponement of introduction of section 62 of the Financial Services Act until at least April 1989. The section lets investors sue a company if they have lost money by its breach of its self-regulating organisation's rule book.

It is thought to be impressed by the institutions' argument that financial service companies and the self-regulating organisations should be given time to adjust to and refine the complex, lengthy rule books all must follow from next April, before the rule books are legally backed by section 62.

The lobbyists are led by Mr Andrew Large, head of The Securities Association, one of the five self-regulating organisations. They say section 62 would create a lawyers' paradise and they hope long delay in implementing it would lead to its abandonment.

The Consumers Association entered the debate at the weekend. It said that to deny small investors the right to reclaim

money lost by a breach of a rule book would be wrong.

A year's delay would merely harden City resistance to the provision while disagreements would persist about the details of the rule books and how they should be refined or diluted.

The advocates of postponement are supported by Sir Kenneth Berrill, chairman of the Securities and Investments Board, which oversees the new regulatory regime.

He says investors, even without section 62, would be able to seek redress by the general law of agency or through the ombudsman schemes of the self-regulating organisations. Further, the board could bring legal action for them under section 61 of the act.

However, Ms Helena Visner of the Consumers Association said the self-regulating organisations had made little if any progress in setting up ombudsman schemes, and, moreover, the board with limited resources would be likely to be highly selective in legal cases it was prepared to sponsor.

Clive Wolman reports on the latest dispute over planned financial regulations

Banks and Lautro polarised over rule book

THE TSB banking group and other clearing banks, with the backing of the Office of Fair Trading and the Securities and Investments Board, have mounted a challenge to the "polarisation" section of the rule book of Lautro, the life assurance and unit trust self-regulating organisation under the Financial Services Act.

The controversial polarisation provisions in the Act and SIB rules will require branches of clearing banks either to sell their own unit trusts and life insurance, or to act as totally independent advisers. The provisions will ban them from doing both.

The provisions were criticised as "anti-competitive" by Sir Gordon Borrie, the Director-General of Fair Trading, in a report in March.

After the report the SIB agreed to allow staff in bank branches to sell the bank's "own-label" investment products but also to refer their customers, where appropriate, to a separate arm of the bank that could offer them independent investment advice.

However, the banks are now claiming that Lautro has been promoting the interests of the insurance companies that make up most of its membership at the expense of the banks by making the rules for referring bank customers much more restrictive than necessary.

For example, the SIB rules

would allow a bank manager to sell to a customer wishing to invest, say, £30,000, a few of his bank's unit trusts - enough to absorb £15,000.

He could then suggest that the customer go to the bank's independent adviser for advice on where to invest the other £15,000.

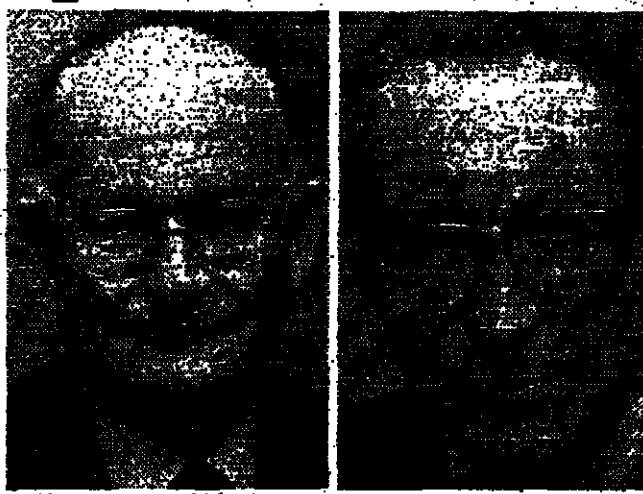
The banks say that Lautro's rules would require the bank manager either to turn him away or to sell him £30,000 of own-label products which would be to the customer's detriment.

If a customer comes into a bank branch and asks for on-the-spot advice on which life assurance policy to take out, the SIB rules would allow the bank staff to telephone the bank's independent advisory arm for an immediate recommendation and quotation.

Under the Lautro rules, the customer could probably be given no more than the address and telephone number of the advisory service and told to make contact himself.

The SIB is now putting pressure on Lautro to amend those rules so that they are no more restrictive than the SIB's. The SIB fears that otherwise Sir Gordon Borrie, who is required to vet all the SRO rule books before they take effect, will inevitably object to the Lautro rules.

A prolonged dispute would then hold up implementation of the Financial Services Act



Sir Kenneth Berrill and Sir Gordon Borrie: backing the banks

which, after several delays, has now been scheduled by the Government for April.

The SIB is due to publish this week the final version of its rule book, which sets the standard of investor protection that the rule books of all the SROs must match.

Its original draft proposals have been subjected to several revisions and numerous further amendments are expected once the rule books of the SIB and SROs come into force next spring.

At present the SIB is examining the rule books of all five

by section. The TSA rules on, for example, the custody of client money, he said, must match the standard of the SIB rules on the subject, which is one over which the two bodies have had strong disagreements.

The two other issues that have not yet been resolved between TSA and the SIB are rules covering the corporate finance departments of securities firms and investment banks and some of the details of the capital adequacy requirements.

The SIB remains uncertain as to how many financial service organisations will seek authorisation directly from it next year when the Act takes effect, rather than from one of the SROs. Most of the larger building societies, perhaps as many as 50, are likely to go directly to the SIB.

More worrying, however, is the possibility of applications being sent from several hundred or more small insurance brokers and other investment advisers. These would require the SIB to boost substantially its 90-strong staff.

At present, Finbra, the SRO for the smaller firms, has so far authorised 2,800 firms and has applications pending from another 4,000.

In addition, another 7,000 application forms, which cost £25 each, have been sent out to investment firms and have not yet been returned.

Ridley to seek ways of speeding poll tax

By John Hunt, Parliamentary Correspondent

WAYS of speeding the introduction of the community charge, the so-called poll tax, are to be examined after pressure at last week's Conservative Party Conference for earlier implementation, Mr Nicholas Ridley, Environment Secretary, confirmed yesterday.

Interviewed on London Weekend Television's Weekend World, he indicated that it might be possible to phase in the tax at different speeds in different areas.

In an area where there was not likely to be much difference between the community charge and the present local authority rate, it would be possible to make the change quickly.

"But if there was a very big change in their area perhaps more time would be highly desirable," he said.

It was put to Mr Ridley that in effect that would mean that the poll tax would be introduced more quickly than the original four-year phasing-in period, but that it would not be done uniformly throughout the country.

"I will be looking at the whole of the transitional period and get my colleagues to see what they think," he replied.

The Secretary of State denied that the collection of tax would lead to large numbers of "moochers" and an infringement of civil liberties. "We don't intend to go into draconian methods of collection," he said.

He was pressed to say whether collection would involve access to Department of Health and Social Security records to track down evaders. Mr Ridley replied that it was not the Government's intention to ask for such powers at the "first stage" of introducing the community charge.

Baker tops poll of Tory MPs

By John Hunt

MR KENNETH BAKER, the Education Secretary, is the clear front runner among Conservative MPs to succeed Mrs Thatcher, according to a Gallup poll for Granada TV's *What's in Action*.

Of those Conservative MPs who expressed a firm preference, 31 per cent wanted Mr Baker as the next Tory leader.

Treasury denies BP offer has 'loophole'

BY JOHN HUNT

THE TREASURY last night described as "a bit of a nonsense" a claim by Mr Gordon Brown, a Labour economic spokesman, that a legal loophole would allow 200,000 wealthy investors to make double applications for BP shares.

Mr Brown has written to Mr Nigel Lawson, Chancellor of the Exchequer, urging him to prevent holders of personal equity plans (PEPs) from receiving two share allocations.

Mr Brown said that would cost the Treasury up to £100m in tax and profit losses.

He said it was simply not good enough for the Chancellor to turn a blind eye to the situation.

The PEP schemes were introduced to encourage small investors but Mr Brown maintains they have been taken over by

wealthy shareholders who will stand to gain by multiple applications for the BP issue.

However, the Treasury says it is not true that the wealthy have taken over the schemes.

Discretionary PEPs are seen as analogous to unit trusts. Therefore it is possible for investors in them to make an application for BP shares on their own account and to receive an allocation through a discretionary PEP.

However, the Treasury points out that that is not the sudden discovery of a "loophole" by Mr Brown. It had always been made clear this was possible.

At the weekend Mr Norman Lamont, Financial Secretary to the Treasury, said he very much wanted PEP managers to apply for the issue.

The food industry climbs on the branwagon

Feona McEwan looks at a report which chronicles a growth in the awareness of how to eat healthily

THE HEALTHY eating movement in Britain has reached a new level of influence, stiffening attitudes and changing habits across the nation.

More and more consumers appear to have heard the nutritionists' rallying cry and begun to adjust their diets. More people are eating healthier food, looking for fibre content, devouring wholesome bread, and expressing a preference for additive-free products.

Far from being a transient fad, the "branwagon," the preoccupation with natural, fresh and above all, healthy eating, appears to be gaining momentum.

Consumers are concerned these days with additives and with the purity of foodstuffs. The great additives debate includes issues like hormone contamination, Cholesterol, green lamb and irradiation. The latest fads are calcium and zinc deficiency.

Those are some of the findings of a new report, *The Branwagon's Further Progress*, published today by D'Arcy Masius Benton & Bowles, the advertising agency. It is a follow-up to an initial survey conducted by the agency two years ago.

Much of the shift in eating habits is manufacturer-led, according to the report. Consumers who were previously apathetic to healthy eating are now confronted with low-fat crisps and convenience foods additive and preservative-free.

Some of the staples have taken a lead. Butter is emphasising its naturalness. Meat is veering towards leaner consumer-inspired cuts and convenience foods have developed newer, healthier versions.

The result is an awareness of healthy eating that has permeated into all social classes and age groups. At the same time, media saturation on the subject has served to confuse as well as inform consumers.

The new study confirms a strengthening of attitudes in favour of healthy eating. But the emphasis has changed.

Before, healthy eating was an issue that seemed to divide the nation, broadly according to social class, affluence and to an extent region, although that was by no means exclusive. Now, it appears, social class is far less a determinant than affluence.

Poorer consumers show less interest in healthy eating.

As in the initial survey, three heavily health-conscious groups, called the New Healthers, have been identified. These, the Superfits, the Younger Concerneds and the Older Concerneds, account for 41 per cent of the population.

On the other side of the healthy eating divide sit the Removers group. They are apathetic on the subject and divided into Dismissers (13 per cent) and the Untouched (17 per cent). The former tend to be younger, poorer, from a lower social class and hostile to healthy eating. They avoid exercise, smoke and love timed foods, fizzy drinks, instant snacks. The Untouched tend to be over 65, people whom the debate has passed by.

Perhaps the most important new group to emerge, suggests

DMB&B, is The Middleground. They are health-conscious but pragmatic. They see healthy eating as a way to live rather than the way to live.

This category contains two groups, the Selectivists, (17 per cent) and Traditional Healthers (24 per cent). The latter are preoccupied by cattle to naturalness, believers in good healthy food like egg/milk/butter and countryside varieties.

The Superfits are the high points of the post-jogging era. They take time with everything, additives with nothing and tend to be middle-class and to live in the affluent south.

The study drew on a nationally representative sample of 11,000 housewives as well as group discussions with husbands and children of certain of the housewife categories.

Healthy Eating Study 11, The Branwagon's Further Progress, DMB&B, 2 St James's Square, London SW1Y 4JN.

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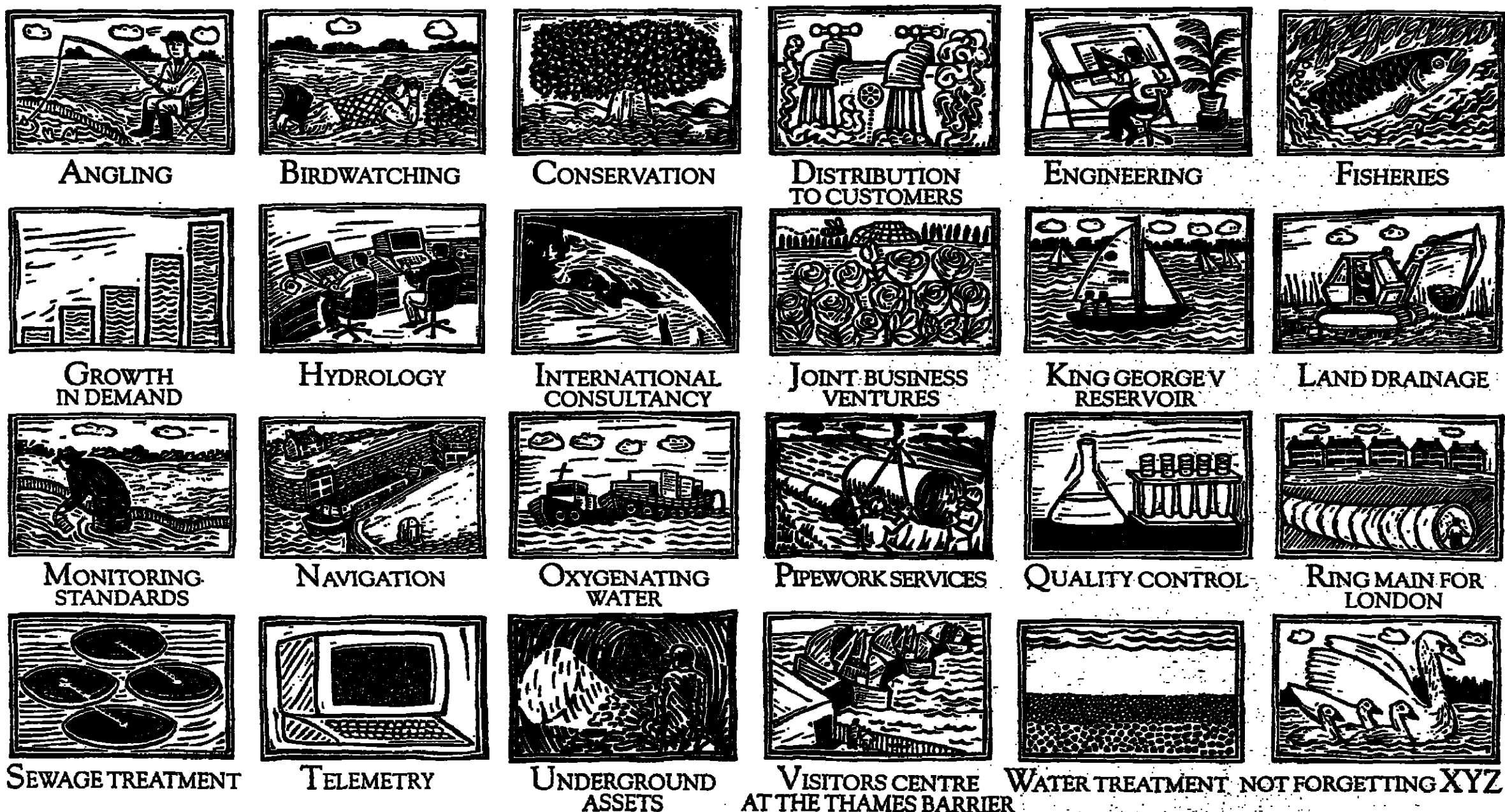
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Healthy Eating Study 11, The Branwagon's Further Progress, DMB&B, 2 St James's Square, London SW1Y 4JN.

The Thames Water A to Z of Integrated River Basin Management



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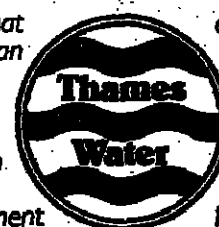
And in this the European Year of the Environment our ongoing concern for the natural life of the river is more important than ever.

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we achieve this balance economically. That way the bill we pass on to our customers can be kept as low as possible.

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Integrated River Basin Management



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RUNNING WATER FOR YOU

Handwritten signature or mark.

Just because you're small, it doesn't mean you can't be powerful.

1. Mighty Mouse.

If you thought this first section was going to be a regurgitation of that old chestnut about mice terrifying elephants, you can relax. As it happens, elephants do tend to be afraid that rodents might run up their trunks — but it is highly likely that the humble mouse once played a far more significant role in the history of the world.

Various theories have been put forward to explain why the dinosaurs died out 65 million years ago, such as: raids by hunters in flying saucers; a lack of room in Noah's Ark; a lemming-like mass suicide by all species everywhere at the same time; and even 'Paleoweltschmerz' (i.e. the dinosaurs became so disillusioned with their world that they died of sheer boredom).

However, a somewhat more plausible reason for their extinction is that small shrew-like mammals ate their eggs.

Being warm-blooded animals, the 'mice' were able to pursue a nocturnal way of life, whereas the cold-blooded dinosaurs, whose body temperatures depended on the outside environment, could not. The rodents could therefore have devoured their unguarded eggs with impunity, depleting their numbers until they died out completely.

2. Tiny tots.

There are many more examples of small but powerful creatures in the modern animal world. In relation to its size, an ordinary house spider can run eight times faster than Ben Johnson. A flea can jump 130 times its own height. An ant can pull a load 300 times its own weight.

Yet perhaps the most impressive example is that of the Falabella horse.

Derived by crossing Shetland ponies with small English Thoroughbreds, Falabellas stand only 24 inches high. However, they run so fast that, over a short distance, they can beat a full-sized racehorse. For their size, they can leap far higher than the leading showjumpers and they are also exceptionally hardy.

These qualities are shared to varying degrees by other miniature breeds. A Shetland has been known to carry a twelve-stone man for forty miles in one day, while a twelve-inch high golden foal recently survived falling down a steep fifteen-foot bank shortly after being born. (Why this foal should then have been called 'Lucky' is a mystery.)

3. The lowest of the low.

The twentieth century has certainly had its share of small and belligerent men — Hitler, Mussolini and Alan Ladd to name but three. However, the person who has come the closest to being a twelve-inch ruler is Attila the Hun. He is thought to have been a dwarf.

Also known as 'the scourge of God', Attila was king of the Huns from 434 to 453. For a time he ruled jointly with his elder brother Bleda (who was actually quite a big Bleda by comparison), but he found this rather tiresome and he murdered him in 445.

His hordes then massacred, looted and burned their way across eastern Europe and finally assailed the Roman Empire. He was defeated once — in Gaul in 451 — but he promptly invaded northern Italy and occupied the imperial palace in Milan, where he had all the paintings altered to show the Roman emperor kneeling at his feet instead of vice versa.

Attila died two years later while making love. It is possible that his diminutive stature contributed to his demise — but history unfortunately does not record whether or not he was standing on a box and fell off.

4. Le petit caporal.

No one had as great an effect on Europe again until Napoleon Bonaparte came to prominence at the end of the eighteenth century.

In 1795, at the age of 25, he was in charge of the French army of the interior. He then led the French forces in Italy to brilliant victories over the Austrians, became First Consul for life in 1802, set up what was effectively a military dictatorship and had himself crowned Emperor in 1804.

In defeating the Austrians, incidentally, he also defeated the hero of our first section. The Austrian generals became so desperate that they inked a mouse's feet and placed it on a map to see if it would trace out a path to victory. It didn't.

Yet without his wellingtons on, Napoleon was only five feet six inches tall himself. It is true that he looks impressive in our picture, which shows him crossing the Alps in 1800, but this is a highly idealized portrait. (For one thing, he actually crossed on a mule.)

He was certainly very sensitive about his height. On one occasion, he was searching for a book in his library when he finally spotted it on the top shelf, well out of his reach. The tall Marshal Monecy dutifully stepped forward. "Permit me, sire," he said. "I am higher than Your Majesty," Napoleon

was not pleased. "No, Marshal, you are longer," he snapped.

Eventually, of course, Napoleon's reign came to an end, with one of the earliest stages in his downfall being the series of defeats suffered by his fleet at the hands of Lord Nelson — who was only five feet two. No wonder both men wore such large hats.

5. We are not very big.

Queen Victoria, sovereign of the United Kingdom from 1837 and Empress of India from 1876, constantly lamented the fact that she was less than five feet tall.

Strangely, her Uncle Leopold seemed to think that she had the power to rectify this if she wished. "I have not been able to ascertain whether you have grown taller lately," he wrote. "I must recommend it strongly".

Victoria did wield considerable political power, however. In 1839, she forced the Prime Minister, Sir Robert Peel, to resign and later dismissed the Foreign Secretary, Lord Palmerston, for committing the unforgivable sin of taking action without consulting her first.

Her close involvement with policy-making and her desire to have her own way sometimes overstepped the proper bounds of a constitutional monarchy, particularly when William Gladstone was Prime Minister. "Others but herself may submit to his democratic rule, but not the Queen," she wrote after yet another disagreement.

Yet when the longest reign in British history finally came to an end in 1901, the shortest monarch had restored both dignity and popularity to a crown whose future had looked decidedly precarious at the time of her accession.

"Will she be happy in heaven?" wondered a member of the royal household. "I don't know," replied Edward VII. "She will have to walk behind the angels — and she won't like that".

6. Not short of words.

Even Queen Victoria was taller than the eighteenth-century poet Alexander Pope. He was only four feet six inches tall as a result of tuberculosis of the bone and a severely-curved spine.

Despite these handicaps, he dominated the London literary scene for almost thirty years — partly on the strength of his sheer talent (his fame was assured at the age of 23 with his 'Essay on Criticism' (1711)), and partly through his stinging attacks on his contemporaries which earned him the nickname 'The Wicked Wasp of Twickenham'.

His verbal assault on Lord Hervey in the 'Epistle to Dr Arbuthnot' (1735) is a fine example:

"Yet let me flap this bug with gilded wings,
This painted child of dirt, that stinks and stings..."

He clearly relished the power that such scathing wit brought him:

"Yes, I am proud; and must be proud, to see
Men not afraid of God afraid of me".

Another writer of the day, William Broome, did suggest that it was Pope's size that stopped many people from fighting back: "His littleness is his protection; no man shoots a wren." But others probably realised that the Wasp was at his most wicked when anyone attacked him, as illustrated by the following composition addressed to a lady who had dared to mock his size:

"You know where you did despise
(Iother day) my little Eyes,
Little Legs, and little Thighs,
And some things, of little Size,
You know where.
You, tis true, have fine black eyes,
Taper Legs and tempting Thighs,
Yet what more than all we prize
Is a Thing of little Size,
You know where".

7. The Prime Miniature.

Two centuries later, David Lloyd George — seen here pointing out his missing inches — was using a similar sharpness with words to achieve power.

It has been argued that he was too obsessed with power for his own sake — "He did not care in which direction the car was travelling, so long as he remained in the driver's seat" (Lord Beaverbrook) — yet the facts remain that he led Britain to victory in the First World War and laid the foundations of the modern welfare state.

Like Pope, Lloyd George once had occasion to cut down someone who made a remark about his size.

The chairman of a meeting introduced him thus: "I had expected to find Mr Lloyd George a big man in every sense, but you see for yourselves he is quite small in stature." "In North Wales," came the reply, "we measure a man from his chin up. You evidently measure from his chin down".

Margot Asquith said of him that "he could not see a belt without hitting below it". This was presumably because he could not see much higher.

8. The pocket battleship of the desert.

Another small Welshman also played a leading role in the Great War, namely T. E. Lawrence or 'Lawrence of Arabia'. (He actually measured less than five feet six inches, but this tends to be obscured by the fact that the tall Peter O'Toole played him in the David Lean film.)

After joining the Arab army in 1916, the archaeological scholar soon became its chief organising and motivating force. He ran a guerrilla operation against the Turks, blowing up numerous bridges and trains, and in 1917 he captured Aqaba after a 600-mile march.

Further successful actions followed, and when Lawrence returned to Britain as a colonel in 1918, he was awarded the DSO and the Order of the Bath — though he declined both honours as a protest against the breaking of promises made to the Arabs. He then became a close friend and adviser of Winston Churchill, who described him as "one of the greatest beings of our time".

It should be noted, however, that Lawrence's character was full of contradictions — one of which was the need to subject himself to the power of others on occasions. For this reason, he went on to join the lowly ranks of the RAF and the Royal Tank Corps under assumed names — and also paid an admirer to whip him regularly on the buttocks.

9. The Mighty Atom.

Astonishingly, there was a third small but powerful Welshman who came to prominence at this time.

Jimmy Wilde was only five feet two inches tall and weighed just seven stone, yet he was one of the greatest fighters the boxing world has ever known.

He began his career in a fairground booth, where he once performed the incredible feat of knocking over 23 opponents within four hours. All 700 of his challengers in those early days were far heavier than him, but all succumbed to his phenomenal speed and punching power.

Even when he turned professional, Wilde was still conceding as much as two stone to his opponents — but he kept on flattening them. His fame spread, and soon he was known everywhere not only as 'The Mighty Atom', but also as 'The Ghost with the Hammer in his Hands'.

In 1916, at the age of 23, he won the world flyweight title, which he then retained for seven years and four months — a record unequalled to this day.

It is a further mark of Wilde's greatness that he is the only non-American to be rated No. 1 in the 'All-time Greats' lists of 'Ring' magazine — and in 1959 he was elected to the American Hall of Fame.

10. The half pint PC with the ten-gallon memory.

The Japanese have always been good at producing small things, such as miniature trees and Japanese children, and the latest example of their skill is the Epson PC AX2.

No other personal computer packs as much power into as small a space. It would cover only about two-thirds of this page — yet it boasts a 640K random access memory, 20 megabytes of hard disk storage and a 1.2Mb floppy disk drive.

Furthermore, it runs faster than a Falabella, with processing speeds of 10 and 8MHz.

The PC AX2 is fully PC- and AT-compatible. It comes ready to work with any type of monitor and graphics software that you choose, and it can be expanded almost without limit — so there is no danger of it ever becoming extinct.

As you would expect of an Epson, it is so reliable that it could almost be compared to Queen Victoria for longevity.

Yet for all this, the PC AX2 costs only £1699 (RRP exc. VAT), which certainly won't leave you short.

For more information, either: write to Epson (U.K.) Limited, Freeport, Birmingham B37 5BR; call up Prestel *280#; or ring 0800 289622 free of charge.

We think you'll find that the PC AX2 can't be beaten — unlike Lawrence of Arabia, of course...



EPSON

UK NEWS

City economists underline bright tax cut prospects

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRIGHTENING prospects for sizeable tax cuts and a further reduction in the Government's borrowing target are underlined today in analyses published by City economists.

The studies suggest that the £2bn to £3bn increase in next year's target for public spending, expected in next month's Autumn Statement, will do little to limit the scope for a "give-away" yet "prudent" Budget next March.

That optimism is mirrored in Whitehall, where the strength of tax receipts has persuaded the Treasury that it has significantly underestimated the likely size of government revenue for the second consecutive year. It is widely expected within the Treasury that Mr Nigel Lawson, the Chancellor, will opt to cut both basic and higher rates of tax. Whitehall economists, however, are already seeking to limit the size of the prospective "give-away" by suggesting that most of any overshoot in revenues should be used to cut the public-sector borrowing requirement target.

Today's City studies suggest that the PSBR for the current financial year will be well below the £4bn target suggested in March. Mr Simon Briscoe, an economist at Greenwell Montagu Research, argues that on current revenue trends the PSBR may show a small surplus for the first time for nearly 20 years.

He says government revenues from income tax, the North Sea, corporation tax and value-added tax will all show a significant overshoot on the Treasury's last published forecasts in the Budget. The buoyant revenues reflect rapid economic growth, a higher-than-expected oil price and strong company profits.



Nigel Lawson: scope for a "give-away" Budget next spring.

Mr Peter Spencer, an economist at Credit Suisse First Boston, predicts that even after increasing the spending totals next month, Mr Lawson will have at least £5bn to divide between tax and borrowing reductions in the Budget. On that basis he could afford £1bn in tax cuts while setting a PSBR target of zero for 1988-89.

The US securities house Goldman Sachs forecasts that some of the additional revenue will be absorbed by further overruns in public spending - despite next month's expected increase in the Treasury's 1988-89 target.

Mr Gavin Davies, its senior UK economist, nevertheless expects the Chancellor to be able to combine a £1bn reduction in taxation with a cut in next year's borrowing target from £4bn to £3.4bn. Limiting tax cuts to £1bn would be "entirely justified" by the need to prevent further deterioration in Britain's trade position next year, he says.

Broker optimistic over trade balance

By Alan Pike

THE UK MAY be underestimating the strength of its balance-of-payments position by about £20m a year, Phillips & Drew, the stockbroker, suggests in an economic briefing paper today.

That would mean that a forecast current-account deficit of £1.5bn this year in fact disguised a surplus.

Phillips & Drew acknowledges that the UK's current account of the balance of payments will continue to deteriorate and that "the pressure on sterling from balance-of-payments fundamentals will still be downwards." But it believes the actual position may be better than is generally believed, because of an underestimate of net invisible earnings.

"Invisible statistics are not based on timely information and are subject to considerable uncertainty," the stockbroker said.

Under-recording of net invisible earnings throughout the world probably amounted to around \$50bn. Within world invisible earnings, the largest and most rapidly rising discrepancy had been in portfolio income.

The UK was not immune to universal statistical problems arising from the shift in the composition of international credit from bank finance to securitised lending.

That, allied to the discrepancy between the current and capital accounts of the UK balance of payments, suggested that UK invisible earnings had been understated during the 1980s. In principle the capital and current accounts should equal each other with the capital account representing the financing of current-account transactions. But in practice the difference between the two - the balancing item - has risen from almost nothing in 1980 to nearly £12bn last year.

Charles Leadbeater on why benefits and vacancies are to be dealt with at the same place

Regrouping aims to revitalise JobCentres

THE OPENING of the first high street JobCentre, in Reading, Berkshire, in 1973, marked the most important modernisation of the government's employment service since the Second World War.

It was not just that the centres were to have a modern, bright retailing image to attract job seekers and employers with vacancies. The dusty, backstreet labour exchanges were to be replaced with a more dynamic method of finding work for the unemployed.

Job seekers would in future claim their unemployment benefit from one office and look for jobs in another. The separation of the two activities was meant to enhance unemployed people's chances of finding work by breaking the link between job search and the depressing culture of unemployment associated with benefit offices.

At the end of this month, however, the Government will come close to admitting that it believes that separation, far from helping job seekers, actually increased unemployment.

The first goal will be to integrate the management functions of the separate services

On October 26, responsibility for managing the JobCentres will pass from the Manpower Services Commission (MSC) to the Department of Employment, headed by Mr Norman Fowler, the Secretary of State.

The department will then set about undoing the changes, started in 1973, by re-establishing a unified employment service, which will control both the payment of unemployment benefit and the advertisement of vacancies.

The Government argues that the change will mean that more unemployed people will search

for jobs more actively. Others such as the National Council for Voluntary Organisations, believe the change will cut registered unemployment only by allowing officials to enforce tighter restrictions on benefit claimants, in particular by testing whether claimants are available for work.

The reintegration involves more than 40,000 staff, 2,000 outlets and an overall budget of more than £500m. A senior management team, but as yet little else, is in place at the Department of Employment.

The first goal will be to integrate the management functions of the separate services. That will require two head offices, one in Sheffield and one in London, a revamped regional structure and significant pay rises for area and regional managers, who will in future cover both aspects of the new organisation.

Senior officials expect the physical changes to the character of buildings and the practice of "signing on" will take up to four years to achieve. One said: "It is essential to ensure that the actual services are disrupted as little as possible. Benefits must be paid, jobs must be advertised."

It seems likely that unemployment will be cut as a result of the changes. But how?

Professor Richard Layard, of the London School of Economics' Centre for Labour Economics, believes the separation of payment and placement pushed up unemployment.

It meant it was increasingly easy for people to become routine signers, to become less motivated job searchers and thereby drift into long-term unemployment.

However, other changes to signing on, instituted in 1982, may have had a much more dramatic effect than the physical separation of job centres and benefit offices.

The Government's drive to cut public spending and public-sector employment led it to drop the requirement that people



Norman Fowler: taking over responsibility for JobCentres.

should register for work before being able to claim benefit. The length of time between visits to sign on was extended from a week to a fortnight.

The change now planned may mean that the disciplined among the unemployed will be brought more into the swirl of the labour market. However, if that should help to reduce unemployment it may be offset by the effects the changes will have on employers.

The MSC, in its response to the proposal, warned that the reintegration would mean that JobCentres would once again become associated with the unemployment benefit culture of long-term unemployment, rather than recruitment.

The JobCentres last year filled 1.5m vacancies, of which 1.6m went to unemployed people, but most were among the short-term unemployed. The reintegration service will concentrate its efforts on finding ways into work for the long-term unemployed.

That redirection might lead employers to believe that the MSC had become a less effective means of recruiting skilled, motivated workers. Private sec-

tor employment agencies, such as Reed, argue that the implication is that the government employment service should concentrate on the long-term unemployed, leaving the private sector to fill vacancies for the short-term unemployed.

Mr Paul Coveney, of the Unemployment Unit, believes that, even without privatisation, the changes will confirm the exclusion of the long-term unemployed rather than reintegrate them.

So it is unclear as yet whether, even in the long run, the reintegration service will be more effective in bringing together job seekers and employers.

The managerial integration will allow a closer check that benefit claimants are searching for jobs, just because the relevant pieces of paper will cross a single desk. However, it is almost certain that more direct methods of checking on availability to work will follow quite quickly.

Control of the JobCentres has been passed to the Department of Employment partly because ministers believed that the MSC was an obstacle to introducing such changes. Consistently maintained that its staff should not be involved in policing benefits.

An extension of the Restart programme of counselling for the long-term unemployed would be to establish a system that ensures that unemployed people look at job and training opportunities before they claim benefit. They also recognise that it will take some time for that to be established.

They acknowledge, moreover, that such a system would not be cost-effective in areas of high unemployment, where the cost of a job search is high.

Officials have indicated that it is likely that periodic, but systematic, tests of availability for work and job search activities will be introduced as a condition for receiving benefit. The Government may also introduce

a limited form of their ideal model for either the newly unemployed or the long-term unemployed.

A series of pilot tests, in the 200 JobCentres that also handle benefit payments, will determine the most effective model.

The other main activity for the merged service will be to channel people on to special employment and training schemes run by the MSC. During this year's election campaign, the Government committed itself to three guarantees for the unemployed.

All 16 to 18-year-old school leavers are to be guaranteed a place on the Youth Training Scheme; all 18 to 25-year-olds unemployed for more than six to 12 months will be guaranteed a place on the Job Training Scheme, or in a Jobclub; and everyone unemployed for more than six months will be given a Restart interview at six-monthly intervals.

Ministers believe that only an integrated system, will ensure that such offers reach all the routine signers who who do not go near a JobCentre.

Critics believe, however, that two developments indicate that a less benign intention lies behind the change.

● The merged service will go into gear next year, about the time the Government plans to launch a revamped set of schemes for the long-term unemployed.

● This month, the Government will introduce legislation that will mean that the main state payment for unemployed 18-year-olds will only be available if they take up a place on the Youth Training Scheme.

The National Council for Voluntary Organisations believes that these two developments mean that the Government will have in place by the end of next year the machinery to implement so-called workfare programmes under which the unemployed will receive benefits only if they take part in work or training programmes.

Computers help Co-op 'divi' make a comeback

BY DAVID CHURCHILL

THE CO-OP "divi" is making a comeback - more than a decade after it was phased out of most Co-operative retail stores - and its return might help to stimulate a revival of the Co-op's fortunes.

The Central Midlands Co-operative Society has become one of the first co-ops to bring back the dividend system, making use of new technology at the point of sale. Already the scheme is proving significantly more popular than Co-op chiefs had forecast and a number of other retail co-ops are watching the new scheme closely.

The "divi" was the cash payment system made to millions of shareholder-members to reward them for shopping in their local co-op. Customers paid a nominal amount to become a shareholder and quoted their membership number each time they bought goods from a co-op store. They then received a dividend calculated according to the value of purchases.

In the 1980s many societies found the system too costly and time-consuming and replaced it with trading stamps for all customers. Such stamp schemes

fell out of favour when the supermarket chains launched a price war in the late 1970s.

Although some co-ops still give stamps - and a few small societies have even retained the "divi" system - the decision by Central Midlands, one of the largest societies, to bring back the "divi" is seen as a significant move for the Co-ops.

Central Midlands, which uses the aid of new technology, customers are given a plastic credit card that records purchases at the point of sale through the use of a small computer in the store. The "divi" in cash - is then given to customers periodically.

Mr Gilbert Hight, chief executive of Central Midlands, says the "divi" has been brought back because of "the need to reinvigorate and revive a shareholding membership which, during the last two decades, has lost interest in the progress of the society."

When the scheme was launched on an experimental basis more than half of all households in the locality joined. Some seven out of every ten were new members.

Peat Marwick in Fleet St pre-let

By Paul Chesswright, Property Correspondent

PEAT MARWICK McIntosh is letting Salisbury Square House, 114,000-sq ft redeveloped south of Fleet Street, London. Land Securities, the owner, said it would be ready for occupation at the end of 1988.

The pre-letting shows the ongoing strength of the central London office market and emphasises the growing popularity of the Fleet Street area.

Company gains £1m backing

By Lucy Kellaway

LSI GROUP, a Luton-based biotechnology company, is to receive £1m in venture capital from the Charterhouse Venture Fund and Suez Gestion of France. The company, which makes fermenters and freeze dryers, said the money would be used for research and development and would help it to market its products internationally.



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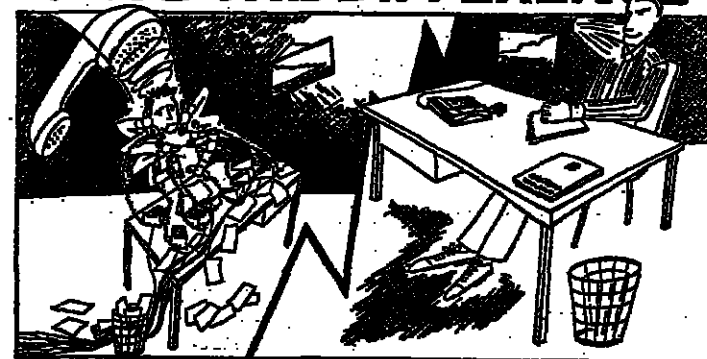
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UK NEWS

Renault trucks recovery plan 'ahead of target'

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT Truck Industries' recovery programme, inaugurated last September when there was some doubt whether the company had a future, is ahead of schedule. The concern, based in Dunstable, Bedfordshire, has entered "a new, exciting phase in its history," Mr Francis Cousin, managing director, said at the weekend.

RTI, the former Dodge Trucks company in which the state-owned French parent has invested more than £100m since taking over in 1981, was now trading profitably and in June had produced a net profit for the first time.

RTI, whose workforce has dropped from 4,200 to 1,250, has engaged 60 people for the assembly lines - the first additions to the direct workforce for many years. Recruitment was needed to increase truck output at Dunstable to 30 a day, a 40 per cent increase on January when daily production was 22 vehicles.

Mr Cousin said the Dunstable factory was expected to make more than 5,700 trucks this year, up from 4,500 in 1986, and next year should see at least 6,000 produced.

RTI claims its best-selling vehicles, the 50-series and the commando models, have a 92 per cent and 98 per cent content respectively. This year the company will buy £80m of materials and components from 900 UK suppliers.

It says most big UK organisations accept trucks with Renault badges as "British" and that less than 10 per cent of cus-

tomers now opt to have the Dodge name on their vehicles. RTI's net loss last year reached £10.8m on a turnover of £246m compared with a loss of £7.6m on sales totalling £730m in 1985. That took the company's accumulated deficit to £30.75m.

Mr Cousin said RTI still had a long way to go but was on course to make a net profit in 1988, according to the recovery plan agreed last autumn.

He was speaking at the launch of three models, two of them developed by the Dunstable engineering centre, which employs 150 people and has a £3m annual budget.

The Renault 50 series, 3.5 to 7.5-tonne trucks, which account for nearly half Dunstable's production, has been extensively re-engineered and fitted with the new Perkins Phaser diesel engines. The UK engineers have also developed a new version of the 24-tonne G280 range, also built at Dunstable.

The third new vehicle type to be launched in the UK this week is the Midliner, to be sold in two versions: 7.5 tonnes gross weight and 13 tonnes. RTI claims the Midliner is the most powerful 7.5-tonner on sale in the UK.

Mr Bill Gilliam, director of commercial operations, said the change to the 50 series should lift sales from about 2,500 this year to 2,750 in 1988. RTI also expects to sell 500 Midliners imported from France, which would take total sales of imported Renault trucks from about 450 this year to 750.

Record output and sales for Jaguar

By Our Motor Industry Correspondent

JAGUAR, THE luxury-car group, achieved record output and sales in the first nine months of this year, the company said yesterday. Output rose by 14 per cent, from 36,549 cars in January to September last year to 35,087.

Sales rose by 18 per cent, from 29,912 units to 35,315. That puts Jaguar on target to lift output from last year's record 41,437 to about 45,000 cars this year.

Output, boosted by demand for the new XJ6 saloon, is about to be raised to 1,250 cars a week, in line with Jaguar's expectation that production next year will reach 55,000.

The US, Jaguar's biggest single market, was the only one to show a decline in the first nine months, because the new XJ6 was not launched in that country until May.

Jaguar predicts that the shortfall will be more than made up in the final quarter and that US sales for the year will reach 25,000 units, or 1,000 more than last year.

UK sales in the nine months jumped by 82 per cent, to 9,315 units, while sales in continental European markets were up by 50 per cent, to 5,128 units. Sales to the rest of the world rose by 38 per cent.

David Thomas examines a follow-up survey to the Peacock report on broadcasting

New views on the future of video networks

AN UNUSUAL example of long-term thinking about a vital British industry slipped out of the Department of Trade and Industry last week.

It was a vision of Britain's communications structure in the next century, the sort of grand-scale forward look that has become anathema to the ministry in recent years. The report was prepared by PA Consulting Group for a

The Government is the most important player influencing development of the infrastructure

steering group of industrialists and academics, appointed by the department in April to advise on the future of UK communications over the next two decades.

At issue is not just how existing services, such as telecommunications and television, should be delivered but also ways of encouraging entirely new services, such as high-definition television, video phones, video conferencing and video-based transactional systems such as home banking and shopping.

The impetus for the steering group came from a recommendation in last year's report on broadcasting, produced by a committee chaired by Professor Alan Peacock, which said that

the telephone system operators British Telecom and Mercury Communications should be able to act as common carriers for a full range of telecommunications and information services, including television.

However, Peacock recommended that those common carriers should be prohibited from providing the cable television services or value-added telephone services carried over their networks. They should act just as highways for other people's services to travel along.

That is opposed to the alternative favoured by some people of encouraging a multiplicity of delivery channels, including telephone and cable television networks, satellite broadcasting and mobile communications.

Ministers were less than struck by the Peacock recommendation but they appointed the steering group to advise them on the many complex issues it raises.

The PA report singles out many factors influencing the evolution of Britain's communications structure but hits on two that appear predominant.

The first is technological and concerns the evolution of optical-fibre transmission. Optical fibre could provide the technological underpinning to the common carrier concept because it allows the full range of information and entertainment services to be sent over one broadband cable.

However, the PA report says: "Although fibre-optic cable is already used in trunk transmis-



Professor Alan Peacock recommended BT and Mercury to be common carriers.

sion, it will be about 15 years before it becomes cheaper than conventional techniques in the local loop."

The second factor is political. The PA report says: "The Government is and will be the most important player influencing the development of the infrastructure, even if its aim is to reduce its long-term influence."

The weight of Government is felt most obviously in its regulatory decisions but also through fiscal, planning, environmental and competition policy.

To assess the options, PA has constructed three alternative projections which it emphasises

are neither predictions nor proposals. The projections start from different assumptions about the role the Government could play.

Light regulation. Deregulation advances steadily in order to encourage many delivery systems but the Government maintains some controls to ensure fair competition.

In practice, that would mean full freedom for local cable television companies to carry telecommunications, a continuing ban on BT and Mercury carrying television over their main networks, a limited number of new telephone companies, two more direct broadcast satellite channels and the liberalisation of the supply of satellite receivers.

In effect, all the carriers either existing now or just over the horizon would be encouraged and none would be allowed to become dominant.

PA predicts that by 2010 that would result in full broadband systems in only 10 per cent of homes, those situated in cable franchise areas. Broadband carriage of sophisticated new services such as interactive video would be restricted to those homes and to key business centres.

The multiplicity of different media would not create economies of scale for British industry. In consequence, "the UK electronics industry would steadily decline in its ability to compete in world markets."

Free market. Deregulation is pursued much more rapidly. In

particular, the constraints preventing BT and Mercury carrying television are removed. The result, PA predicts, is that BT would emerge as a leading player in the delivery of entertainment as well as telecommunications.

By 2010, 20-30 per cent of homes and 30-50 per cent of businesses would be covered by the fibre-optic network. Prospects for UK manufacturing would be better than under the first projection, but there would be weaker competition in telecommunications.

Government intervention. Alternatively, the Government could intervene to encourage a nationwide broadband communications network.

That intervention could be achieved through regulatory and fiscal means, leaving the private sector to provide most of the cash. Competition could be preserved by having a patchwork of local broadband network franchises.

By 2010, 65-80 per cent of homes and 85-95 per cent of businesses could be connected to the fibre optic network. The huge investment would generate massive orders for the British electronics industry and would stimulate many new services.

The downside is just the size of the investment required, many billions of pounds over 20 years. Evolution of the UK Communications Infrastructure. Telecommunications Division, DTI, 66-74 Victoria Street, London SW1.

Haughey urges legal reforms in north

FINANCIAL TIMES REPORTER

IN A clear warning to Mrs Thatcher, Mr Charles Haughey, the Irish Prime Minister, yesterday pointed to the need for fundamental reform of the administration of justice in Northern Ireland.

Although he did not link the issues directly, it is now clear that an important change in the republic's extradition law is unlikely to be ratified on time because of disagreement between Dublin and London over reform of the north's justice system.

The Finance Bill Government faces a December 1 deadline for a Dail vote that would ratify an extradition treaty between Great Britain and Ireland, it has been clear for some time that Dublin linked such ratification to demands for reform.

The Irish Government has urged that a three-judge court should replace the single-judge Diplock courts that currently try terrorist cases. The reform was opposed by Lord Hailsham, and by Lord Havers, the current Lord Chancellor, and now appears to have been rejected by Mrs Thatcher's Government.

At the weekend Republic commemoration in Bodentown outside Dublin, Mr Haughey drew attention to the need for the Roman Catholic population of the north to have confidence in the judicial system there.

In his first public reference to the extradition issue he ac-

knowledgeed that "many Irish people are questioning whether Dail Eireann [the Irish parliament] should agree to submit Irish citizens to a system of justice in which a large section of the community in the north has not as yet been persuaded to place its confidence."

With all the main opposition parties now urging a delay in ratifying the new extradition law, it now seems certain that the deadline will not be met, in spite of intensive diplomatic activity by officials attached to the Anglo-Irish secretariat, which administers the Hillsborough agreement.

The proposed treaty would allow for the extradition of suspects without the British authorities presenting prima facie evidence against suspects. It would also virtually do away with a defence of "political motivation" in terrorist cases.

Speaking on Irish Radio over the weekend, Mr Norman Tebbit, Conservative Party chairman, said the Anglo-Irish agreement had suffered a setback with the failure of a Dublin court to extradite an Irish passport official charged with selling false passports from the Republic's London embassy. The court freed Mr Kevin McDonald when the prosecution failed to prove diplomatic immunity had been waived.

Clothing retailers blamed for 'tarnished' image

By ALICE RAWSTHORN

A LEADING figure in the British clothing manufacturing industry has criticised fashion retailers for being shortsighted in their dealings with manufacturers.

Mr Norman Sussman, president of the British Clothing Industry Association, blames retailers for the "tarnished image of the high street" and advocates the development of a closer working relationship with manufacturers.

At the annual conference of the Drapers Chamber of Trade in Swansea this weekend, Mr Sussman criticised clothing retailers for their inconsistent pricing policies and for holding too frequent discount sales.

The frequency of discount sales not only detracted from the consumers' perceptions of the high street, he said, but un-

determined the regular pattern of retail trade. Discount sales should be "genuine and seasonal," he said, thereby restoring stability to the high street.

Mr Sussman also criticised retailers for subjecting their manufacturing suppliers to "threats and penalties" (which included discounts) over delivery problems, and for late payment.

He called for the development of closer rapport between manufacturers and retailers thereby enabling both sections of the clothing industry to work together on research, investment and development programmes for their joint benefit.

The BCIA is considering the introduction of a "market matcher" system, which would provide a computer-controlled database to monitor retailers' requirements.

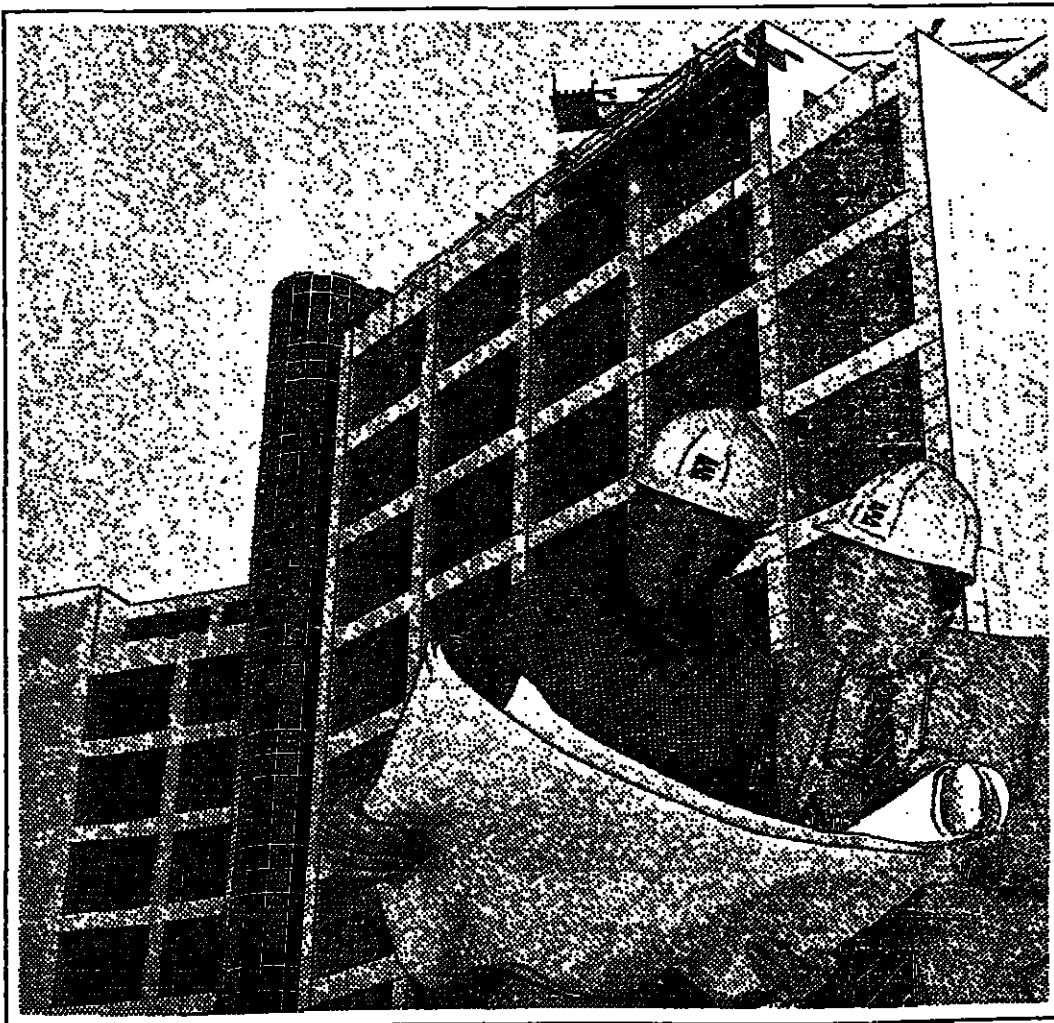
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APPOINTMENTS

British Aerospace directors

Four new directors have been created in the BRITISH AEROSPACE military aircraft division: Mr John O'Sullivan becomes personnel and resources director, Mr Chris West becomes director and general manager - Weybridge, Kingston and Dunsfold, and a member of the divisional management committee. Mr Alan Milligan becomes director personnel and resources - Weybridge, Kingston and Dunsfold. Mr Mike Turner has been made director marketing and product support, succeeding Mr Alan Keys who has retired.

Mr Maurice Hawes has been appointed group finance director of WICKENS BUILDING GROUP.

Mr Michael Knapp, managing director of Dairy Crest Foods, has been appointed deputy chief executive of DAIRY CREST.

Mr Hayes Miller has been appointed a director of MATHESSON INVESTMENT MANAGEMENT, part of the Jardine Matheson group. He will remain head of the research department.

Mr Ernest Zeida has been appointed financial director of WINCANTON DISTRIBUTION SERVICES from November 1. He is financial controller.

Mr Russell Paton has been appointed director and chief executive of BLENHEIM TRAVEL, a wholly-owned subsidiary of Grampian Television, from October 19. He was general manager of sales and marketing at A.T. Mays.

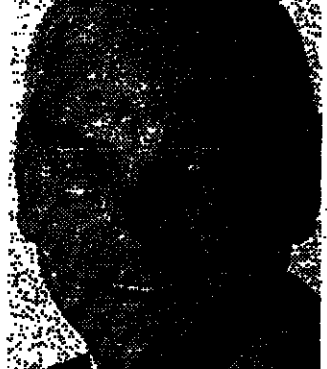
Mr John Poland has retired as chairman of AJAX INSURANCE HOLDINGS. He is succeeded by the Earl of March. The Earl is chairman of the Goodwood Group.

Mr Mike Goodwin, Mr Guy Meredith, and Mr Colin J. Wooller have been appointed directors of NATIONAL WESTMINSTER INSURANCE SERVICES, broking subsidiary of National West-

minster Bank, from October 1. Mr Goodwin becomes director, planning and development, Mr Meredith will be director of the personal division, succeeding Mr Alan Chambers, who has been appointed assistant managing director, and Mr Wooller continues to head the marketing department.

Mr Pat Donoghue has been appointed managing director of HOLSTEN DISTRIBUTORS. He succeeds Mr Alan Bridgett, who remains on the board as deputy chairman. Mr Donoghue was with Grand Metropolitan.

LADBROKE CITY & COUNTY LAND COMPANY has appointed



Mr Stanley Brown, deputy managing director of Ladbroke City and County Land.

ed Mr Stanley Brown as deputy managing director. He was development director.

English and American Insurance Group has appointed the following directors of the group's newly formed systems and marketing principal operating subsidiary, TOWER HILL SERVICES: Mr E.J. Barclay, Mr L.G. Daley, Mr K.J. Earlewell and Mr J.P. Watson.

Mr George Docher has become managing director of PAULIG, the new UK subsidiary of Finnish food and beverages giant Oy

Gustav Paulig. Mr Mark Merrill has been made finance director.

Mr Robert C. Tomkinson has been appointed non-executive director of LLOYD THOMPSON GROUP.

To facilitate the international expansion of Shandwick, the following appointments have been made to the board of SHANDWICK CONSULTING GROUP, the UK consultancy division: Mr Richard Serran has been appointed managing director in succession to Mr Peter Gummer who will continue as chairman. Mrs Mary Bartholomew becomes deputy managing director. Mr Michael Fairchild, Mr Nigel Henson, Mr Basil Towers, Mr Colin Truettler and Mr Peter Waller have been appointed directors. Mr Leslie Riddick is stepping down from the board to become first creative director of two subsidiary companies, Leslie Bishop Co and Media Relations. Mr Alan Mole, who will continue as chairman of Shandwick Communications, will leave the board to enable him to assist in the overseas development of the group. Mr Serran and Mrs Bartholomew will remain respectively chairman of Shandwick Consultants and Shandwick PR.

Mr Michael Pitt has been appointed corporate development director of BEMROSE CORPORATION.

Mr Paul Bennett has been appointed a director of HOWARD TILLY ASSOCIATES.

HESTAIR KIDDICRAFT has appointed Mr Andrew Flammer as financial director. He joins from Luxor.

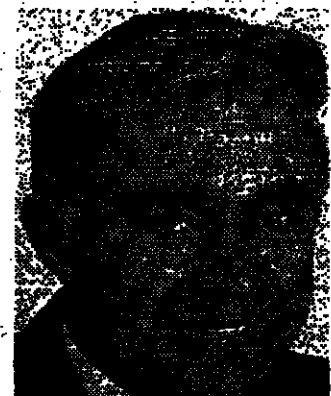
Mr Peter Fagley, who rejoined GREEN SHIELD TRADING STAMP CO as a director to help relaunch the concept, has been appointed managing director.

Mr D.C.R. Graham has been appointed finance director of the BEN LINE GROUP. He was group chief accountant and company secretary. Mr N.M.

Forster has been appointed a non-executive director. Mr M.J. Pretty has become secretary.

MOUNTLEIGH GROUP has appointed Mr Nigel J. Wright to its board. He joins from Phillips & Drew Corporate Finance.

TORACCO DOCK DEVELOPMENTS has appointed Mr Adrian Tisman as director of operations to head the operational management team for its leisure shopping village which is expected to open in June 1988.



Mr George Hilton, director of China operations, Teetel Group.

global industrial thread activities; he will be transferring certain of his current responsibilities to Mr Anthony Halstead and Mr Geoffrey Madrell.

Mr Henk van Aartsen has been appointed to the new post of commercial manager. HE DEBERGENTS of Pumphorston, near Edinburgh.

RUSH & TOMPKINS has created five local directors: Mr Peter Byrnes, Mr David Evans, Mr Andrew Murray, Mr Mike Giffin and Mr Warwick Wallace.

RADIO CITY, Liverpool, has appointed to the board Mr Martin J.P. Cooke, a partner in stock brokers Bensburg, and Mr Jonathan H.H. Mounsey, taxation partner with Pannell Kerr Forster.

BASS has appointed Mr K. Richards as chairman of HORIZON TRAVEL in succession to Mr B.W. Tanser, who has retired. He is a member of the Bass board and chairman of Bass subsidiaries Britvic Corona, Bass & Tennant Sales and Augustus Barnett.

PLAN INVEST GROUP has appointed Mr Frank S. Leveson as director. Mr Kevin E. Bright is director of subsidiary Plan Invest. Mr Bright, who has been with the group since 1979, becomes investment director.

DERITEND STAMPING has appointed Mr Ian Walsh and Mr David Walden as joint managing directors of the electrical division with responsibility for the northern and southern areas respectively. Mr Walsh was director and general manager, Deritend Electrical Services, Birmingham. Mr Walden was managing director, D.W. Reinds & E.L. Barnett.

British Airways leisure post

BRITISH AIRWAYS has appointed Mr Mike Beaumont, head of group sales, to the new post of managing director leisure division. Other members of the leisure strategy board will be Mr Jim Harris (director of marketing), Mr chairman, with Mr Vic Fabb, managing director of the new BA Sunnied Holidays company, and Mr Kenneth Mullaney, managing director, British Airways.

WFP GROUP has appointed Mr Marya Roberts as group tax director. He joins from Saatchi & Saatchi where he was group tax manager. Mr Deng Cheeseman will join the group in New York, where he will be responsible for merger and acquisition activities and institutional investor relationships in the US. He was with the General Electric Investment Corporation, where he was responsible for its private placement portfolio.

PNA has appointed Mr Roy Bennett, formerly associate director of St James's Corporate Communications, to head its client liaison department.

Mr David Alexander has been appointed sales director of SPILLERS FOODS, a Dalgety company. He was general sales manager at Carnation Petfoods.

CHARTERHOUSE TILNEY has appointed Mr Timothy Stoddard a director.

Mr E.F. Gibbs, previously executive chairman, has become non-executive chairman of EUROPEAN HOME PRODUCTS. Mr D.T. Ash, group managing director, becomes chief executive. Mr I.B. Riddick is made deputy chief executive. He will continue to be responsible for finance.

Mr Malcolm Cotton has been appointed managing director of international operations for C. & J. CLARK. He will be responsible for C. & J. Clark Inc. in the US, Southlands, holding company for Auckland and New Zealand, and Avon Chemical and Avon.

lon Industries, the UK shoe component company. He was managing director of Southlands. Mr Neville Gillibrand becomes managing director of Clarks Shoes, succeeding Mr John Clothier, the newly-appointed managing director of C. & J. Clark. Mr Gillibrand was marketing director of Clarks Shoes.

FEL BABCOCK has appointed Mr Norman Secular managing director of its electrical products group, a new division which includes Babcock Elec-



Mr N. Secular, managing director, FEL electrical products division.

trical Distribution and Mining as well as the diverse electrical products businesses of FEL. He joins from GEC, where he ran the low voltage switchgear activities.

LEISURETIME INTERNATIONAL has appointed Mr Adrian Aylward as finance director. He was previously in the corporate finance division of County NatWest.

Mr John O.R. Darby has been appointed a director of ULTRAMAR. He is chairman of Arthur Young, but will be stepping down on October 31. He is also chairman of National Home Loans Corporation, Property Leasing Trust, and non-executive director of British Rail Engineering.

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This announcement appears as a matter of record only.

27/10/87

ANNOUNCEMENT OF IBM/FUJITSU DISPUTE RESOLUTION

by the
**AMERICAN ARBITRATION
ASSOCIATION
COMMERCIAL
ARBITRATION
TRIBUNAL** in the matter of
**INTERNATIONAL
BUSINESS MACHINES
CORPORATION, Claimant**

-against-
FUJITSU LIMITED,
Respondent and Counterclaimant

ARBITRATORS' REPORT

Sept. 15, 1987

On Sept. 15, 1987, we issued an Order and Opinion in an arbitration between International Business Machines Corporation (IBM) and Fujitsu Limited (FJ) under the auspices of the American Arbitration Association (AAA). The parties by agreement have empowered us to resolve their dispute.

The parties' primary dispute concerns FJ's use of IBM information in FJ's development of IBM-compatible mainframe operating system software. IBM claims that FJ copied IBM operating system programs in violation of IBM's copyrights. FJ maintains that it has only used IBM information unprotected under copyright law.

In 1983, the parties executed agreements to resolve this dispute. FJ has made very substantial payments to IBM under these agreements. However, these agreements were unsuccessful because they failed to establish adequate protective procedures for the ongoing use of IBM information in FJ software development and payment for such use.

The Order, binding on both parties, establishes a framework for a comprehensive resolution of this dispute.

Resolution of Past Disputes

The Order will resolve all disputes between the parties with respect to programs previously released by FJ. FJ will make a lump sum payment to IBM and will receive immunity, release and waiver of all IBM claims. We will determine the amount of the lump sum payment during the coming year. This lump sum payment will be made in lieu of FJ's obligation under the 1983 agreements to make very substantial payments to IBM for certain programs designated by FJ for immunity.

Under the Order, FJ and its customers may continue to use existing FJ operating system software without interruption.

Secured Facility Regime

To provide FJ a reasonable opportunity to independently develop and maintain operating system software, the Order will allow FJ, during a five to 10-year period (the exact duration to be determined by us) to examine IBM programs in a Secured Facility, and, subject to strict and elaborate safeguards, to derive and document information in accordance with rules specified in written Instructions. FJ may use such information, with immunity, in its software development. FJ will fully and adequately compensate IBM for such access and immunity.

The Order also gives IBM a reciprocal right to establish a Secured Facility if it wishes to examine FJ programs for IBM software development.

The Basic Principles of The Secured Facility Regime are:

1. ACCESS IN EXCHANGE FOR ADEQUATE COMPENSATION

Specified personnel of a party, not otherwise engaged in software development, will have access in a Secured Facility to programming material of the other party (including source code whether or not generally available to customers) from which they may derive, and place on survey sheets, only such interface specifications and any other information specified in the Instructions. A party will have to pay the other party, fully and adequately, for its access to such information.

2. INDEPENDENT COMPLIANCE MONITORING
Compliance with Instructions and procedures relating to the Secured Facility will be strictly monitored by an independent and technically expert Facility Supervisor under our guidance and authority. No material will be removed from a Secured Facility except as permitted by the Instructions and approved by the Facility Supervisor. Before any survey sheet is released from a Secured Facility, the Facility Supervisor will transmit copies of such a survey sheet to representatives of the other party who will have an opportunity to object to the inclusion of any specific information. Each party may review for compliance any finished product developed by the other party during this period as a result of the Secured Facility regime. Any such compliance review must take place in a Secured Facility.

3. IMMUNITY

A party may use information placed on approved survey sheets in its development of operating system software and the other party may not challenge such use.

4. LIMITED DURATION

A party's right to examine deposited programming material of the other party, and to extract information specified in the Instructions, will end after the completion of a five to 10-year period (the exact duration to be determined by us). The Order replaces prior 1983 agreements that required each party to provide "External Information" to the other until at least the year 2002.

Cross-licensing of Software

We believe that the Order will foster competition with respect to IBM-compatible mainframe hardware systems and products. In the past, FJ has only licensed its operating system software to run on FJ hardware. The Order gives users of each party's mainframe processors the right to license the other party's software products in countries where those products are offered.

As a result, for the first time, customers may license FJ operating system software to operate on IBM machines.

Disclosure

The parties have agreed that there be no disclosure of agreements or disputes by either party, absent prior written agreement by both parties. They have authorized us to make such disclosure as we deem appropriate.

We believe it is appropriate to disclose the Order and Opinion to the public. We intend to make further disclosures at appropriate times in the future. Meanwhile, the parties and their counsel remain obligated to make no disclosure concerning the arbitration proceedings.

The Order, and the Instructions, rules, guidelines and procedures established pursuant to it, will exclusively define the rights and obligations of each party with respect to the use of the party's programming material during this period, notwithstanding copyright decisions of U.S. or Japanese courts or previous agreements of the parties.

The Order also creates a transition period for FJ to establish procedures and policies that will effectively protect IBM's intellectual property after the period expires and FJ's Secured Facility shuts down. After that time, FJ will have access only to IBM programming material generally available to customers and it will be able to use information in its independent software development only in accordance with then applicable copyright law.

Copies of the complete text of our Order and Opinion are available from the AAA, 140 West 51 St., New York, N.Y., 10020.


ROBERT H. MNOOKIN


JOHN L. JONES

ARBITRATORS
September 15, 1987

Robert H. Mnookin is Adelbert H. Sweet Professor of Law at Stanford University.

John L. Jones is a retired Executive Vice President of Norfolk Southern Corporation.



AMERICAN ARBITRATION ASSOCIATION

Takeover trends

A stark contrast in European patterns

BY CHRISTOPHER LORENZ

IN THE FIRST three days of this month, the Financial Times carried eight reports of international takeover bids by European companies.

Half the bidders were from the United Kingdom. British Gas and WCRS (a marketing services group), were buying in North America. Norton Opax (printing and packaging) was taking a stake in an Australian company. Only one of the British, the Queens Moat Houses hotel chain, was acquiring within Europe (in Belgium and West Germany).

But all the other reports, of bids by Scandinavian and continental companies, were of activity entirely within Europe. Sandvik of Sweden acquired two specialised carbide enterprises in Denmark and the UK. Brown Boveri of Switzerland proposed a link with two Italian competitors, while Fiat of Italy moved in on Monte Carlo (a television station) and on Britain (as putative majority owner of part of Lucas Industries' motor components business).

This three-day pattern was certainly random, but it was no accident. Over the past three months the flow has been roughly the same, with the scorecard of foreign takeovers by European companies, according to Mergers & Acquisitions, a monthly FT publication, reading as follows: UK bids for US companies, 107; UK bids for other European companies, 37; other European companies' bids in the US, 28; other European companies' cross-border bids in Europe, 67.

In other words, whereas the British bid for roughly three times as many companies across the Atlantic as across the Channel between July and September, the rest of Europe did almost exactly the reverse, preferring Europe to America by a ratio of almost three-to-one.

This phenomenon applies not only to three days and three months, but also to the past three years - and beyond. In that sense, it is not new. Nor is the fact that Britain is by far the most acquisition-minded country in Europe.

But there is a vital difference between the last three years and what went before: that the contrast between the pattern of Britain's international takeover activity and the rest of Europe's

is now much more stark than it was in 1984.

Whereas West German and Swedish companies, for instance, have virtually quadrupled the number of their takeovers in other European countries since 1983 (to 77 and 111 respectively in 1986), the British total has grown by only half to 67.

And while over 70 per cent of all international acquisitions by West German, Swedish and French companies are now made in other European countries - in spite of a sharp rise in German and Swedish takeovers in the US - the European proportion of the UK's foreign acquisitions has slumped since 1984 from almost 40 per cent to only 27 per cent in 1986.

Conventional wisdom has it that takeovers are hard to do in the Federal Republic. Yet the figures show that it has actually become a veritable haven for foreign predators

To put it bluntly, despite all the renewed talk of the attractions of Europe as an enlarged "home market", the British have become even more biased towards America and away from Europe, while the other Europeans have become still more Europe-minded - on such a scale that the European Commission has become seriously concerned (see FT, October 5 & 6).

"Continental business leaders have realised the threat they are under, in a wide range of industries, from the US and Japan," explains Martin Waldenstrom, head of the acquisitions practice of Booz, Allen & Hamilton, the US management consultancy. "They are closing ranks. For them, there's nothing that unites so much as a threat - if a French company feels threatened, it looks across the border to Germany."

Though British industry is at least equally endangered by international competition, it tends to react very differently, by piling still faster into the "safe" American market. Waldenstrom says: "The British don't feel as much part of Europe - they look to the US first." For the British, the Channel is still wider than the Atlantic Ocean, agrees Philippe Haspelagh, a professor at Insead, one of Europe's leading business schools.

Though Britain's acquisitiveness and its preference for America are nothing new, the extent of the bias has never been charted in detail. Nor has the fact that it has become more pronounced through the 1980s, and more out of line with most other European countries as their own acquisitiveness has grown.

Now Martin Waldenstrom's Paris-based unit at Booz, Allen & Hamilton has put together a remarkably detailed study of European takeovers, drawing on a very much wider range of sources than conventional studies.

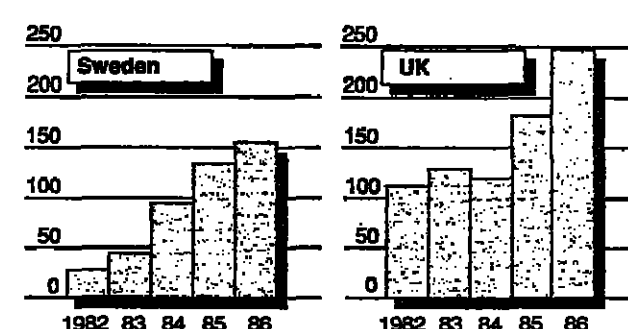
The results of the unpublished study, which cover the flow of acquisitions both into and out of Britain, France, Sweden and West Germany make fascinating reading - the illustration shows just part of the Booz analysis.

The deep insight into takeover trends which the Booz statistics provide contrasts with the usual sort of listings, which either tend to concentrate only on large deals, or restrict themselves to published data; Booz has tapped several other types of sources.

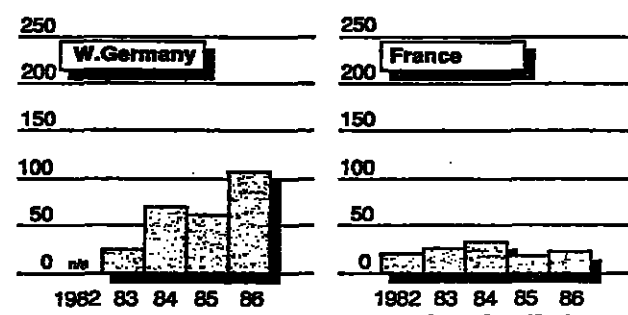
Take the inflow of foreign acquisitions to West Germany. Conventional wisdom has it that takeovers are hard to do in the Federal Republic. Yet the Booz figures show that it has actually become a veritable haven for foreign predators: in each of the past two years over 100 West German companies have been bought from abroad, two-thirds of them by other European enterprises.

Of the four countries studied by Booz, the UK is the next most popular subject of inward investment-through-takeover: approximately 100 companies were bought from abroad in both 1985 and 1986, half of them by other Europeans.

Total number of cross-border takeovers in Europe, North America & the rest of the world (by nationality of acquiring company)



Percentage within Europe	1982	1983	1984	1985	1986
Sweden	76	71	56	72	72
UK	37	34	39	31	27
France	95	60	63	47	77
W. Germany	n/a	83	86	77	72



Sweden follows (an average of 80 companies acquired from outside in the past two years), with France trailing in last with only just over 20 incoming acquisitions, almost all of them from other European countries. (Booz warns that the French figures may be slightly depressed by the difficulty of collecting reliable data, and that national differences in the type of sources make it impossible exactly to match similar data from various countries.)

The study is equally revealing about the most "takeover-active" industries in Europe. Though many of the most publicised recent deals have been in engineering (such as ASEA-Brown Boveri) and food (notably Carlo de Benedetti's spaghetti-like string of deals), neither of these industries turns out to be top of the list.

Instead, services rank very much top of Booz's league table of the most active target sectors between 1984 and 1986. "Business services" (including hotels and leisure, as well as consulting, advertising and so on) accounted for an estimated 15 per

cent of all cross-border European takeovers, followed by retailing and distribution (about 12 per cent).

Third came industrial equipment (10 per cent), and then electronics (9 per cent), banking and finance, and chemicals (both 7 per cent), and food and beverages (6 per cent). Eighth in the list was drugs and medical equipment (5 per cent), followed by instruments (3 per cent), computers and office equipment (3 per cent), insurance, oil and gas (both 2 per cent).

What is particularly surprising about this list is that it is so different from the list of "domestic" businesses such as retailing and distribution, with very little international trade across frontiers, should now be the subject of so many cross-border takeovers in Europe. Not even the street-corner grocery shop, it seems, is safe any longer from international competition.

*Booz, Allen & Hamilton, 55 Avenue Kleber, 75784 Paris, France. Telex 611736. Tel Paris 45051467.

Black managers

Redressing the balance

Jimmy Burns on the Ethnic Minority Business Development Unit

MANY BLACK entrepreneurs or potential entrepreneurs in Britain lack management experience. While they are aware of this, they often do not have the opportunity or knowledge to acquire the necessary skills, either through training or professional advice from others.

These were among the main conclusions of a report on Black Business Development published in May last year by the Commission for Racial Equality. While ethnic minorities, particularly Afro-Caribbeans, remain under-represented in the business sector, Britain's first Ethnic Minority Business Development Unit (EMBDU) is emerging as a model of what can be done to redress the balance.

The EMBDU was officially opened in the City of London Polytechnic in June 1986 by the then minister at the Home Office, David Waddington. From a cautious if somewhat confused beginning, the EMBDU has, over the past 15 months, developed a streamlined five-week long course specifically tailored for those who may already be in business but who have failed to make a success of it. Apart from instructions on how to "form and run a limited company", the course concentrates on specific topics like information technology, business English, raising finance and sales techniques.

The EMBDU is unusual, given the current raging public debate over education, in as far as it is the fruit of co-operation between the Home Office, the Department of Education and Science and the left-leaning Inner London Education Authority.

But the unit appears to have found an effective bridge between warring ideologies in the figure of its director - 31 year-old Cosmos Charles.

Born in Dominica, Charles came to Britain in the early 1980s. He went to a comprehensive school in Hackney while his father was laying tracks for British Rail. He remembers being put in the bottom stream "because my father was black and working class" and being told once to do an African dance in front of the other schoolchildren.

Those early memories left Charles with an underlying sympathy for the concept of multi-cultural education and the initiatives favouring ethnic minorities seen in the early 1980s.



Cosmos Charles: it is about surviving the system

him was balanced, however, by studying for a degree in economics at Plymouth Polytechnic and later for an MSc in business studies at Cranfield College, from where he went on to be a lecturer on the subject. In spite of his lack of experience in industry, he was headhunted by the City Polytechnic as a person who could not only interpret the problems of ethnic minorities but also translate them into an effective link with City financial institutions and companies.

Charles believes that the "system" is still to an important degree weighted against the minority sectors. An aspiring black businessman might have all the skills required of him but he still finds it difficult to get into the wider market. There's no-one to blame except the fact that too many people have been brought up believing that ethnic products are inferior. When black people come before the banks for funds they find themselves having to try that much harder.

And yet Charles is now firmly convinced of that most basic of all entrepreneurial philosophies: that you can get anything in life as long as you try hard enough.

"We just haven't got the time on this course to discuss racial prejudice. My underlying message to the students is: don't allow yourselves to be hindered by the way you speak or the colour of your skin. Concentrate on developing a clear business plan, and make sure you closely monitor it once it gets going. That way you are in with a

chance of making a success of things," says Charles.

The Unit has a permanent staff of three in addition to access to all the teaching facilities provided by the Polytechnic. But Charles sees an important part of his job as drawing into the course outside lecturers in the form of personnel managers who are expected to listen as well as teach. "In that way the two sides are sharing their experiences," he says.

The prototype for the EMBDU is in the United States where over 30 similar units have been developed. The impetus for the advance in the US into the field of minority business development was the riot and Civil Rights movement of the 1960s. Similarly in Britain the need to encourage and facilitate black business development began to be taken more seriously by the Government after Lord Scarman's report on the Brixton riots in 1981.

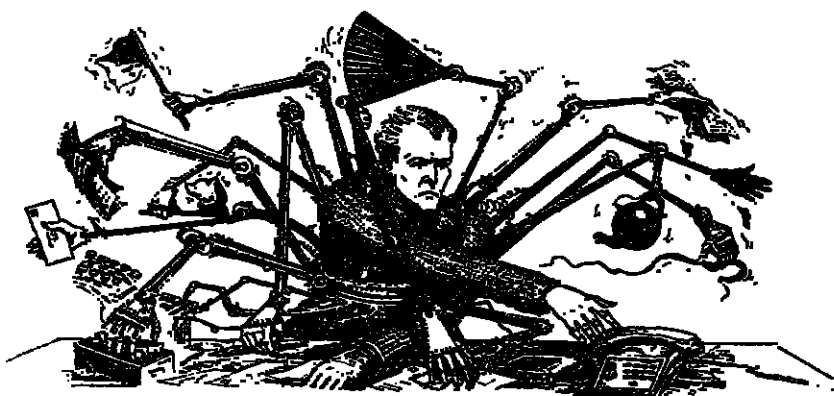
Nevertheless, Charles is only too aware of the uphill struggle he faces in following the American example. On the political right in Britain, efforts aimed at removing racial disadvantages are all too readily dismissed as "positive discrimination" and the substitution of one favoured group by another. On the left, there are those who remain averse to the profit-motive which lies at the heart of the American Minority Enterprise development scheme.

There is the added dilemma, recognised both inside and outside the UK Government, of the potential social pitfalls of creating a too expensive and threatening black entrepreneurial class. "While the aim is to do something about the ethnic imbalances in the inner cities, there is a danger that we will create an exodus of the most skilled, leaving those areas even more worse off economically than they are now," says Charles.

But as he looks around for additional government and private sector support, Charles has taken heart from the 200 students who, thanks to his courses, have turned what seemed inevitable failure into the prospect of success. Two recent examples were provided by a computer and printing company which was on the point of bankruptcy when its managers came to one of his courses. They have succeeded in turning round their finances.

Charles explains: "This school is not about fighting the system. It is about how to survive it."

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London, October 27 and 28 1987

The professional personal computer business, now firmly established as a major industry in its own right, is going through major changes driven by commercial and technological pressures. The Financial Times Fifth Professional Personal Computer conference will examine these changes in the light of recent developments which are now presenting manufacturers and system builders with new challenges and opportunities.

The authoritative panel of industry leaders will include: Mr Brian Ulley of IBM Europe, Mr Eckhard Pfeiffer of COMPAQ Computer Corporation, Mr Vittorio Levi of Ing C. Olivetti & C. SpA and Mr Jim Manz of Totus Development Corporation.

THE PROSPECTS FOR THE ADR BUSINESS

London, November 11 and 12, 1987

The FT Conference Organisation and the National Association of Securities Dealers (NASD) are joining forces to hold a major European-American Forum on the ADR business in November. The subjects for discussion will include access to US capital markets, ADRs as a vehicle, regulation of the ADR business, European company experience, the approach through NASDAQ and the role of the Stock Exchange in London.

The speakers include Mr Joseph Hardman, NASD, Mr James Devin, The First Boston Corporation, Mr Charles Symington, S. G. Warburg & Co Inc, Mr Graham Whitehead, Jaguar Cars Inc, and Mr John Naisbitt, author of "Megatrends". Details of "The Prospects for the ADR Business" will be available shortly. There have been many requests for a conference on this subject and this meeting is expected to be a major feature of the FT autumn programme in London.

WORLD TELECOMMUNICATIONS

London, December 1 & 2 1987

Lord Young will give the opening address to the Financial Times eighth World Telecommunications conference. The changing patterns of competition in global markets will be reviewed by Mr James Olson, Chairman of the Board, A. T. & T., Mr William Weiss, Chairman and Chief Executive Officer, Ameritech and Mr Iain Vallance, Chairman, British Telecommunications. Professor Eberhard Witte will speak on German Telecommunications strategy, and Sir Eric Sharp will review the problems and prospects for global networks.

All enquiries should be addressed to: The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24-hour answering service). Telex: 27347 FT CONF G - Fax: 01-925 2125

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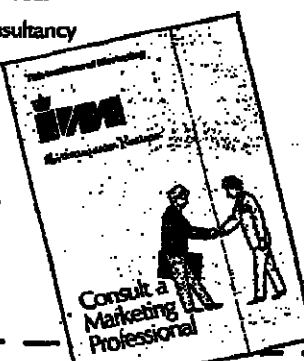
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CHINA

16 DECEMBER 1987

The Financial Times proposes to publish a major survey on China on Wednesday, 16 December 1987.

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FINANCIAL TIMES

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CONTRACTS

£26m substation in Riyadh

An export order worth £26m has been won by NEI REYROLLE to build a substation in Riyadh for the Saudi Consolidated Electric Company, Central Region. The 30-month contract is due for completion in early 1990. Reyrolle will have total turnkey responsibility for the project and will be supplying the 400kV gas-insulated switchgear. An Italian civil engineering contractor, SADRIMI COGEPI, will be constructing the substation itself. NEI Reyrolle is based in Hebburn and is part of Northern Engineering Industries.

FERRANTI METROLOGY SYSTEMS has won export orders worth more than £350,000 to supply four Belgian companies with advanced inspection machines. The largest machine, a Merlin 1400 co-ordinate measuring machine was ordered by Van Landuyt of Wetteren to inspect manufactured blocks and casings for specialist machine tools produced by the company. The machine with a capacity of 400mm x 200mm x 100mm (x,y,z co-ordinates) is also to be supplied with both high accuracy software and direct computer control. The remaining orders were all for Merlin 750 machines, with the full dec option. Mektron of Gent ordered one machine to inspect a range of components manufactured for the computer industry. High accuracy software was specified. The third machine was ordered by Polyform of Limbourg to inspect moulds and die tools used to produce a range of plastic components, a similar appli-

cation to the final machine ordered by Eria Plastics. The orders were placed through COTEC s.a., recently appointed agents for Belgium and Luxembourg, and the machines were installed by Ferranti GmbH, Frankfurt.

REDLER has won an order from Guinness, valued at more than £350,000 to design, manufacture and supply coal and ash handling equipment. The equipment - due to be installed early next year - will form part of a multi-million pound boilerhouse renovation being carried out by Guinness at its Park Royal, London, brewery. It consists of specialised plant to accept coal from lorries and then transport to large storage bunkers situated above two new boilers. Additionally Redler is to supply a complete ash handling system below the boilers. This will collect dry ash from the various boiler outlet points and convey it to a storage silo from where it will be discharged into road vehicles for disposal.

WEEK PUMPS has beaten international competition to win a contract, worth around £15m, from Mitsubishi Heavy Industries of Tokyo to supply seven water injection pumps for the Middle East oil industry. The 5000HP barrel casing pumps are each capable of pumping 500 cu metres per hour at 180kg/sq cm. Contract delivery is September next year.

NEI PARSONS, of Newcastle upon Tyne, has won a second or-

der from the Japanese company Toshiba for condensing plant, feedheating equipment and pipework for the 80MW Unit 4 at Dhekelia power station, Cyprus. In June NEI Parsons won a similar order from Toshiba for Unit 3 of the same station. The combined value of both orders is £2m. Condensing plant, feedheating equipment and high integrity pipework are important elements of NEI Parsons' activity.

Tarmac Roadstone has placed orders worth about £1.5m with the GOODWIN MILLAR organisation of which Leicester quarry plant manufacturer Goodwin Bursby is part. They include a MAP 100 mobile asphalt plant which Goodwin has installed at Tarmac's Darrington quarry in Yorkshire, and a mobile crushing and screening plant for Holmhall quarry near Doncaster. The largest single order, worth about £800,000, is for a Bramatic 150 asphalt plant for a site at Amphill in Bedfordshire.

ASEA STAL, Finspong, Sweden, has an order from the Vietnamese Power Company No. 2 for a CTSS gas turbine power plant for electricity generation. The plant will be installed outside Ho Chi Minh City, which it will supply with about 14MW. The fuel will be diesel oil, with the possibility of converting to natural gas. Delivery from Sweden is due in February, 1988, after a production time of 22 weeks. The order, which is worth around £4m, has been financed with the assistance of the Swedish International Development Authority.

Specialist personnel for Angolan oilfields

TECHNICARE INTERNATIONAL, AL has been awarded a £2.25m contract by the Cabinda Gulf Oil Company to provide the services of specialist engineering personnel to Cabinda (part of Chevron Overseas Petroleum Inc) in Angola, assisting in the operation and maintenance of the offshore oil and gas field production facilities. Services include provision of support personnel for the operation of offshore oil production platforms, maintenance of power generation and electrical distribution.

equipment, mechanical, rotating equipment, turbines and plant, instrumentation and control systems, air conditioning and refrigeration equipment, plant craneage and heavy civil construction equipment. Technicare personnel are also involved in the on-the-job training of Angolan nationals. Technicare International is a wholly-owned subsidiary of Turrit Corporation.

WELDOCK CARGO SYSTEMS has signed contracts to supply over £2m worth of specialised cargo handling equipment for British Airways at Heathrow, Air Canada at Vancouver and Devco Aer Lingus at Dublin.

Upgrading BP petroleum gas pilot plant

A British development in petroleum refining and gas processing technology will be implemented by Manchester-based contractor, COSTAIN PETROCARBON for British Petroleum. The new Cyclo process converts liquefied petroleum gas into high-value aromatic gasoline components or petrochemical feedstocks.

Costain Petrocarbon has also been awarded a £15m contract to engineer, procure and construct a Cyclo process demonstration unit at BP Oil Grange-mouth refinery. The contract

also covers assistance to BP in commissioning the plant. The process, which converts LPG to aromatics and hydrogen, results from joint development work by BP and UOP Inc. It is based on a catalyst developed by BP scientists, combined with the UOP continuous catalyst regeneration system as used in its Platformer process.

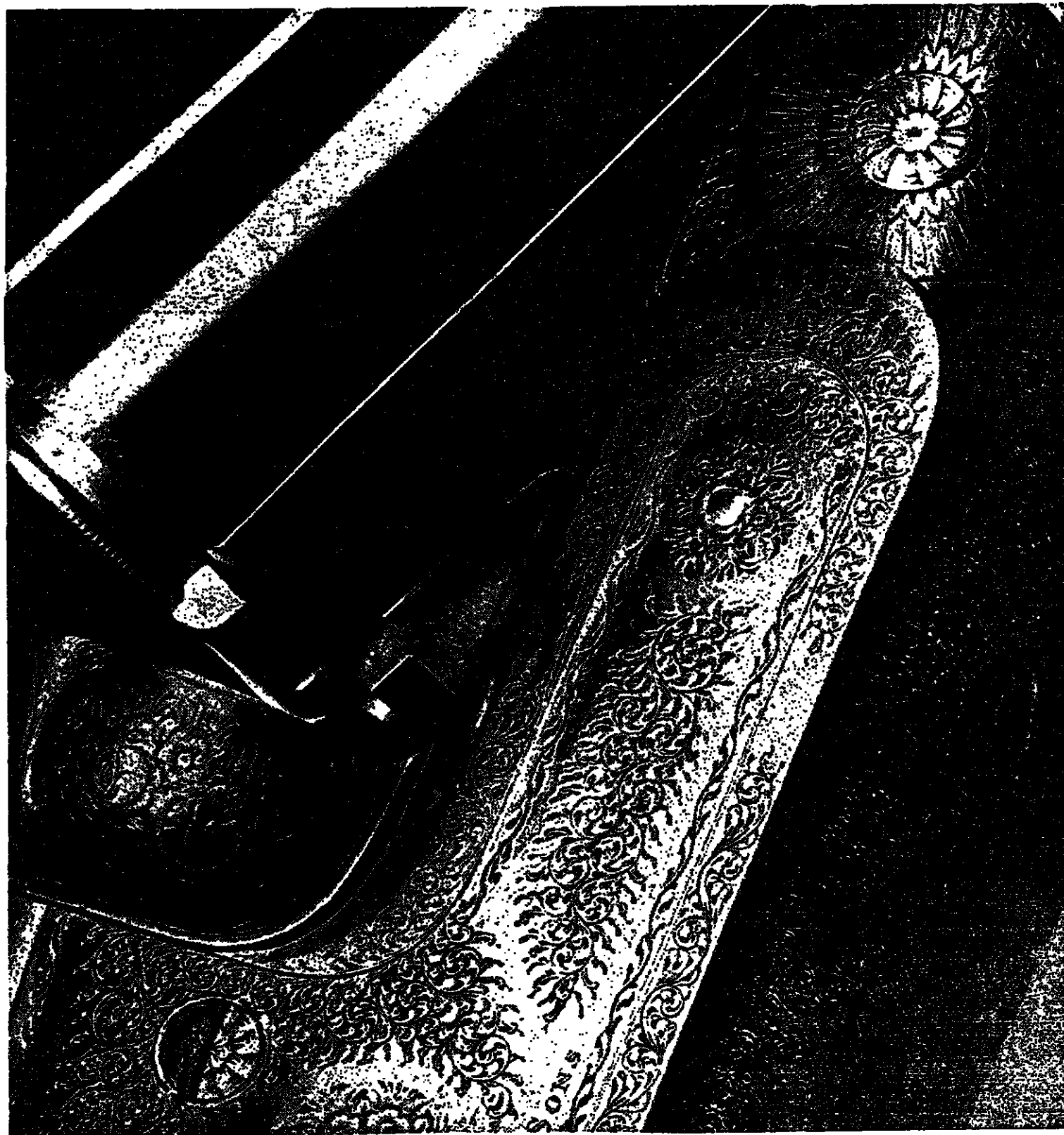
The plant will be commissioned in 1989 and will operate for a long-term proving period. Feed, products and utilities will be tied into existing refinery services.

electrical and instrumentation for a new ammonia plant at Sevenside at £850,000.

Couzens division, Sheffield, has orders for coal preparation plants at Harworth Colliery (Notts) and Coventry Colliery valued at £900,000 and £490,000 respectively.

The Cambridge office has two projects on Cambridge Science Park worth £280,000, contracts at Glaxo Greenford with £400,000 and Queens College, Cambridge University, £300,000. The Blackburn division has M.O.D. orders worth £572,000 and an installation at Houghton Police Station worth £235,000. The company has also received contracts worth £200,000 for work at BNFL Capenhurst.

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850	Armstrong and Rhodes	34	-2	4.2	12.4
6,777	BBS Design Group (USM)	106ad	-4	2.1	2.9
121,376	Bardco Group	186	+1	2.7	15.3
10,644	Bep Technologies	184	—	4.7	26.12
970	CCL Group Ordinary	277	+2	13.5	4.2
1,838	CCL Group 11pc Conv. P.	147	+1	15.7	10.7
21,399	Carborundum Ordinary	168	+1	5.4	3.2
714	Carborundum 7.5pc Pl.	162	—	10.7	10.5
3,248	George Blair	176ad	+1	3.7	2.1
9,529	Ida Group	120	—	—	—
10,311	Jackson Group	99	+3	3.4	26.8
14,576	James Burroughs	1175	+15	18.2	1.5
4,658	James Burroughs Sp. Pl.	133ad	—	12.9	9.7
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72,286	Walker Alexander	263ad	—	37.4	8.7
4,468	W. S. Yates	200	—	5.5	3.5
4,250	West Yorks. Ind. Hosp. (USM)	155	—	—	—

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UK NEWS

Small institutions under pressure

Banking Act rules are a burden for some, reports Richard Waters

THE PRESSURES of banking regulation are being felt at the Assemblies of God Property Trust. The trust has just doubled its staff to deal with the extra burden caused by the Banking Act, which came into force at the beginning of this month. It has taken on one extra person.

The trust, with assets of £2.5m, is one of a number of small financial institutions that face steeply rising costs as a result of the act. Several might find themselves becoming uncompetitive, industry observers warn.

Regulation is going to become more costly, says Mr Roy Ruffler, managing director of Lordvale Finance, an institution with assets a little over £5m. "One can see the smaller ones gradually disappearing."

Lordvale, a specialist in financing bingo clubs, discotheques and amusement arcades, thinks it will be among the survivors. It doubled its capital to £1m last year and may double it again this year.

The two institutions are among 288 licensed deposit takers (LDTs), a second-tier group belonging to a category which, under the Banking Act, has been lumped together for regulatory purposes with banks.

The LDTs were a motley collection. Many were the foreign

branches of overseas banks that did not offer the range of services to qualify them for full bank status.

There were also a number of specialist British financial institutions that have thrived on their experience in particular sectors. Some of these institutions, which have filled a small but important gap in the financial world, may now be under threat.

In the face of tougher competitive conditions and the tighter supervisory regime, a number of smaller institutions have been reassessing the benefits of keeping a licence, with some withdrawing from deposit-taking. The Bank of England said in its annual report this year.

The Bank has done its bit to speed up the process. Prompted by the difficulties that emerged at Johnson Matthey Bankers in 1984, it has carried out more than 100 informal investigations of LDTs. A quarter of those institutions have since been nudged, cajoled or otherwise persuaded to close down or sell out to larger groups with more muscle.

The full costs of the Banking

Act cannot yet be assessed. They are likely to come from three areas:

● Auditors must report on financial institutions' control systems. The extra cost is estimated at between 25 per cent and 50 per cent of audit fees. The reports are also likely to highlight the need for greater control, whether in the form of a new computer or extra staff.

● The Bank can request an institution to appoint a non-executive director. All the signs are that it will make use of that provision - adding substantially to the costs of small companies.

● Although there are no new capital adequacy rules, the Bank, which has been reviewing LDTs for the past three years, has generally encouraged institutions to strengthen their capital bases. The capital shortfall in institutions that have been wound up also suggests that the Bank may want a greater cushion against losses. Servicing the extra capital would add to costs.

Few are yet able to put a figure on that cost. The Assemblies of God Property Trust, run by the church of the same name, reckons regulation will force it

to increase its margin on lending.

Its 650 depositors, drawn from its 600 churches around Britain, receive 9 per cent interest. Loans for new church buildings are made at 10 per cent. Extra regulation is expected to add between 1% and 1½ percentage points to that 1 point margin. As a non-profit-making charity, the trust expects to be able to survive.

The larger institutions are building a stronger base to ensure their future. Mr Ruffler of Lordvale said its doubling of capital was not requested by the Bank of England, but added: "I'm sure they would have requested it in time. I preferred to pre-empt them."

Larger institutions predict little change. Authority & Co, which has a conventional small banking business with capital of £8.5m, expects to continue undaunted. "Controls under the new act will be no more and no less onerous," said managing director Mr David Innes. "We don't see this creating any more problems for us."

As one of the large former LDTs, Authority feels comfortable - unlike the Assemblies of God Property Trust. "Sometimes the effects of regulation fall heavily on the small deposit-takers," said Mr Charles Bowler, the trust's secretary.

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12th October, 1987

Financial advice body disputes OFT findings

BY ERIC SHORT

THE CAMPAIGN for Independent Financial Advice, sponsored by 13 life assurance companies, has criticised the findings of the recent study by Arthur Young, the management consultancy, on the effects of financial services legislation on the incomes of small intermediaries.

The survey of 80 intermediaries, carried out on behalf of the Office of Fair Trading, deduced that their incomes might be cut by between 28 per cent and 55 per cent.

Under financial services legislation, intermediaries marketing life assurance and unit trusts must either be completely independent or become the representative of a single company.

Camifa is campaigning to persuade independent intermediaries to remain so and for the public to use their services. The Arthur Young report, it says, is being used by certain life companies to persuade intermediaries to become their representatives.

In a report to the OFT on the survey, Camifa claims the findings were based on a sample that was too small and biased in various directions. There was, in particular, an unduly heavy response from intermediaries who felt that their future would be severely affected and were looking for means to force the Life Assurance and Unit Trust Regulatory Organisation (Lautro) to increase its commission scale.

Camifa also claims that the figures used by Arthur Young on the effect of the new Lautro commission scales and the expenses of being authorised under the financial services legislation contain errors and dubious assumptions.

Camifa has made its own calculations on the likely effects, and estimates an income fall of about 1½ per cent. It still considers that the costs of authorisation for the small intermediary, who does not handle clients' money, are too high.

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FINANCIAL TIMES SURVEY



Prime Minister Harri Holkeri is expected to keep the economy on an even keel at the head of a new coalition

while the Bank of Finland's policy of gradual deregulation has smoothed the path of financial markets in Helsinki, says Kevin Done

Deregulation gathers pace

FINLAND'S FINANCIAL markets are undergoing a revolution as the winds of liberalisation and deregulation spread to Helsinki from other financial markets around the world. As the financial and business capital of Finland, as well as the country's political and administrative centre, Helsinki had previously moved cautiously down the path of reform, but in the last two years the pace has changed decisively. Helsinki has now moved into the mainstream of international financial development with the rapid development of more sophisticated financial services, backed by a central bank that finally has accepted the wisdom of pursuing a market-oriented monetary policy. In parallel to this liberalisation of Finnish financial markets and the increasing internationalisation of Finnish business, the country has also gone through a political sea-change this year with the entry of the Conservatives into a coalition Government for the first time in 51 years. A Government combining Finland's two biggest parties the Conservatives and the Social Democrats (together with the smaller Swedish People's and Rural Parties) was a surprising

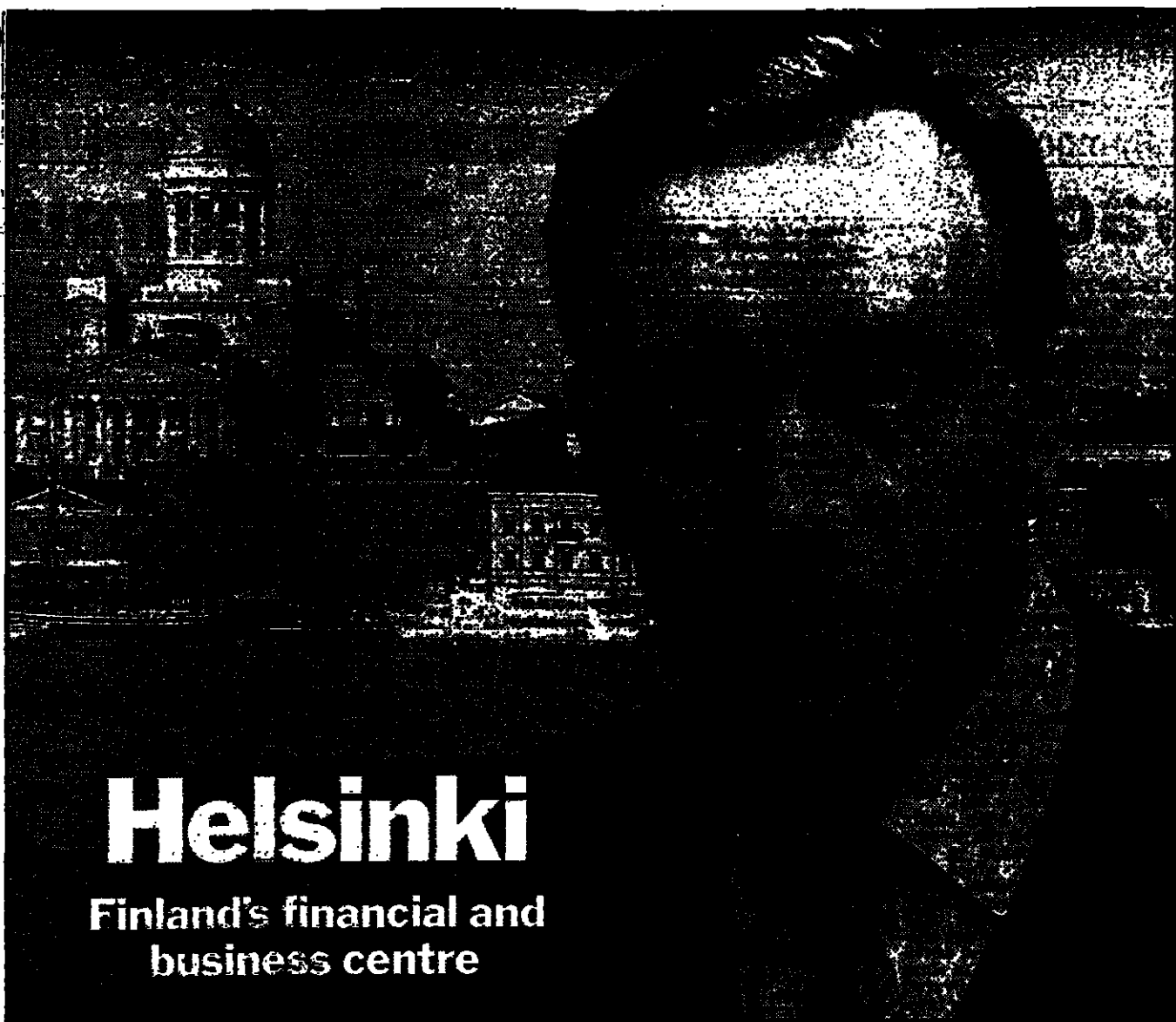
outcome of the general election earlier this year, but the new coalition is already solidly entrenched and appears to have given a fresh impetus to the established spirit of consensus that has dominated Finnish economic and political development over the last decade. Block politics are absent in Finland. The constitution with its demand for a qualified two-thirds majority on major legislative changes - including taxation - in any case virtually compels co-operation across the political divide, but the ease with which the new coalition partners reached agreement on a Government programme illustrates the lack of ideological conflict in one of Europe's most bourgeois societies. With the economic reforms of the late 1970s, Finland's Social Democrats accepted, rather than their colleagues in the labour movement elsewhere in Europe, that to achieve balanced economic growth, the intractable rise in public expenditure and taxation had to be halted, and enterprise had to be encouraged. The success of the economic policies of the last decade has been enviable with the growth in Finland's gross national product (GNP) easily outstrip-

ping the European average, but without the wild fluctuations that had characterised the country's earlier economic development. The consensus that has laid these foundations is hardly likely to be rocked by any right-wing radicalism from the Conservatives. "Pragmatism is the ideology of our party," insists Mr Harri Holkeri, Finland's first Conservative Prime Minister since the 1940s. "We are very practical." Like the Social Democrats, the Conservatives draw most of their strength from the urban areas, and the two parties already have a long experience of co-operation in running several of Finland's biggest cities including Helsinki, where Mr Holkeri has led the city council for much of the 1980s. To give new impetus to consensus politics the Holkeri administration is seeking to profile itself as the Government of structural change, able to man-

age the challenges and social consequences, not least in the labour market, posed by the modern information society. It is essentially a Government comprising "good technocrats", says Mr Holkeri proudly. The tone has been set by the 1986 budget with a large increase in funds to be allocated to research and development, university level education and applied research to benefit industry. Heading the agenda for reform is a radical overhaul of the Finnish taxation system, which the Government hopes to embark on in 1989, but the Conservative-led coalition is also preparing to embark cautiously on other reforms such as a careful programme of partial privatisation of state companies. It will be consensus privatisation, however, which means that the Government will allow state-owned companies to take in private capital and seek a listing on the Helsinki stock ex-

change, but without the state ceding majority control. The first candidate for such treatment is Valmet Paper Machines, but it could be followed by Valmet itself, Kemira, the chemicals group, and perhaps later by Outokumpu, the mining and metals group and Valtion, the pulp and paper concern. "Pragmatism is the key word," says Mr Holkeri, "this is not privatisation, but something in between." At the same time the new Government is planning what it calls a "renewal of working life", with returns to improve job security and retraining in the face of the lay-offs and occupational-specific unemployment that will arise from the restructuring of the economy. At the same time changes are being planned to introduce some form of co-determination in Finnish industry. In the financial markets major reforms have already been pushed through in the last cov-

ple of years, a process that has been accompanied by a prolonged boom on the stock exchange and a proliferation of new financial market instruments. For the first time as of this year Helsinki now has a well-functioning money market comprising a market for domestic CDs - the first commercial paper programmes were announced in the spring of 1986 - an interbank market and the foreign exchange market. In addition to companies and banks the Bank of Finland participates through its transactions in the CD market and the foreign exchange market. The Government has so far participated in the money market only on a limited scale, but this could change next year, says Mr Olli, when it receives authorisation to issue short-term negotiable paper. "This should further enhance the functioning of the money market by increasing supply."



Harri Holkeri, the new Prime Minister: A fresh face running the administration in Helsinki

Helsinki

Finland's financial and business centre

Holkeri: the hard currency man

AS A SEASONED marathon runner and long distance skier Mr Harri Holkeri has learned to understand the virtues of stamina and endurance. Prime Minister of Finland since April, Mr Holkeri had spent most of his career in politics, and yet the prize of the premiership had appeared as far away as ever. He became secretary of the youth league of the National Coalition Party, (Kansallinen Kokoomus), the Finnish Conservatives, in 1969 and progressed through the party ranks before becoming party chairman in 1971. At the age of 34 he was Europe's youngest Conservative Party leader. When he left the party chairmanship in 1979 to join the board of management of the Bank of Finland, the party was still firmly in the political wilderness, however. Until its success in the last election it had spent 21 years banished to the opposition benches, even though it has raised its number of seats from 28 to 53 during the period.

Mr Holkeri, now 50, was the party's candidate for the presidency in 1982, and is standing again in 1988, but for much of the 1980s he had been politically active only on Helsinki City Council rather than on the national stage, choosing instead to hide his time at the central bank. It was a shrewd move. The Bank of Finland plays an extraordinary role among Finnish institutions as a finishing school for would-be prime ministers and presidents. Former President Urho Kekkonen was a member of the board of management, the present President Mauno Koivisto was once Governor of the Bank and Mr Kalevi Sorsa, Prime Minister for ten years for various periods from 1972 to April this year, chairman of the Social Democrats for 12 years, and widely tipped as his party's candidate for the presidency in the 1990s when President Koivisto steps down, has just been appointed to the management board. The Bank is clearly the ideal staging post to the highest office, and it was to his former colleague at the central bank, Mr Holkeri, that President Koivisto turned to find Finland's first Conservative Prime Minister since the 1940s. The son of a policeman from the small rural town of Toijala, Mr Holkeri has managed to keep his image as the "Mr Clean" of Finnish politics noted for his integrity and a highly developed sense of duty, and rather less for his sense of humour. He is known as a Conservative with liberal views, and he would hardly fit the traditional line of most European Conservative parties. The Conservatives and Social Democrats found themselves after the election in their common determination to hold firm the Finnish currency, which had faced a wave of speculation in the summer of 1986. After the election "I said we needed a hard currency cabinet," says Mr Holkeri, a sentiment clearly well-received by the President himself, a former Governor of the Bank of Finland.

Kevin Done

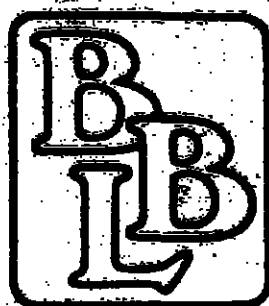
Politics

A watershed

IN THE general election earlier this year Finnish voters elected the biggest non-Socialist majority since 1930. The election has proved a turning point in Finnish political history. The model of coalition government that has dominated the political stage in Finland since the late 1930s, namely the co-operation between the Centre Party, the earlier agrarian party, and the Social Democrats has been abandoned to be replaced by a coalition built around the Conservatives and the Social Democrats. The election result suggested at first the radical alternative of a purely non-Socialist Government based on a coalition of the Centre Party and the Conserva-

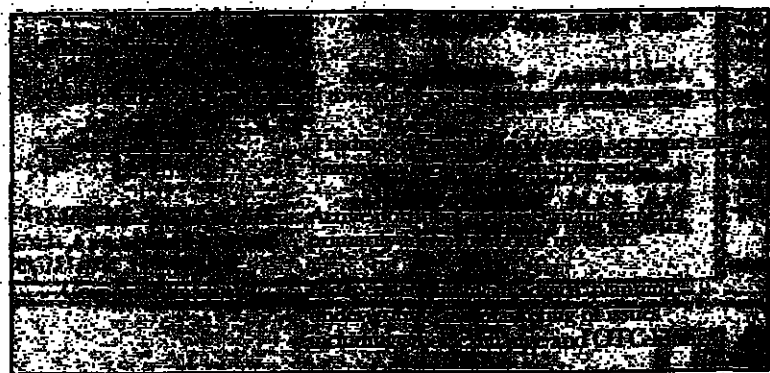
tives, but such a sharp departure from the country's now deeply rooted traditions of consensus and broadly-based political co-operation was not to the liking of many, not least the Finnish President Mauno Koivisto. Under his guidance the new Government emerged bringing together the Conservatives and the Social Democrats together with the much smaller Swedish People's Party and the Rural Party, but dramatically excluding from power the Centre Party. The result was a bitter blow to Mr Paavo Vayrynen, the ambitious Centre Party leader and former Foreign Minister. As the

Continued on page 2



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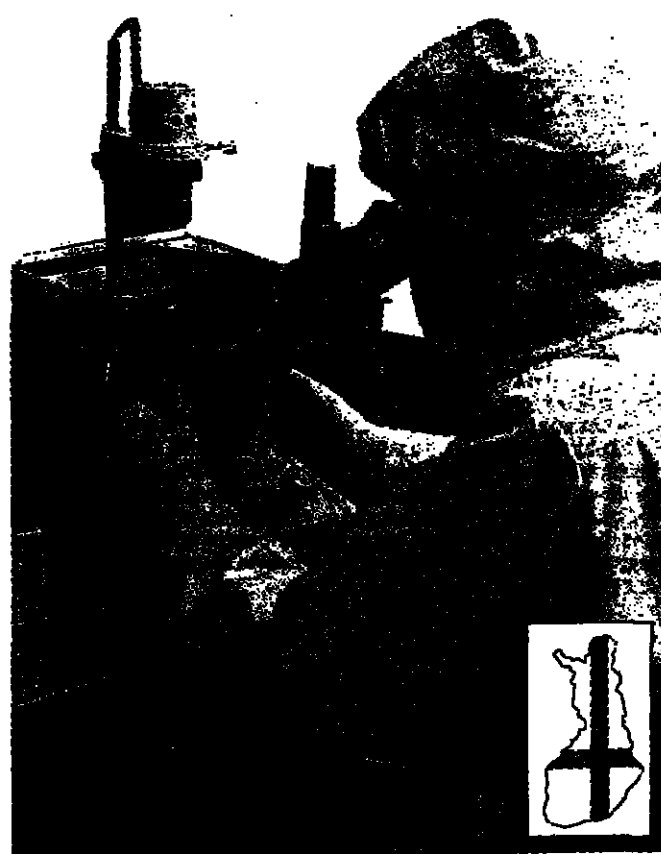
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HELSINKI 2

Economic expansion is being carefully monitored

On the right track

FINLAND HAS achieved an enviable strong and stable economic growth in the last five years and most forecasts suggest that the country will be able to maintain the rate of economic expansion of around 3 per cent a year in both 1987 and 1988.

Growth in GDP (gross domestic product) is expected to reach 3.5 per cent this year, well above the European average, and the slowdown in the first half of 1986 which helped trigger a strong wave of speculation against the Finnish currency little more than a year ago, was a temporary setback.

The prospects for the Finnish economy are promising. Inflation has been brought down close to three per cent and could stay at this level next year. Unemployment at around 5.5 per cent is considerably below the European average although higher than in neighbouring Sweden and Norway.

Growth is being supported chiefly by exports to western markets and by private consumption, but private sector investment has also revived strongly during 1987 helped by improved profitability in the corporate sector. According to Kansallis-Osake-Pankki, one of Finland's leading banks, corporate profits are likely to increase by 40-50 per cent this year.

With the booming economy the deficit on the current account of the balance of payments has inevitably widened and is forecast to total some Fm5.5bn (\$1.25bn) this year and Fm6.5bn in 1988.

At around 1.5 per cent of GDP the position is still far from alarming, but according to Mr

Pertti Sorsa, director of the economics department in the Finance Ministry, "Without action the deficit will go on increasing, and this is the main reason for tightening policy. This is a serious economic policy challenge."

The deficit is increasing because of the higher volume of imports that are being sucked in by strong domestic demand, which is expected to increase by nearly 5 per cent this year fuelled by robust private consumption, private investment and a further jump in real wages of some 3.5 per cent.

The current account deficit is also widening somewhat despite Finland's encouraging foreign trade performance, where exports to western markets are showing a 7 per cent volume increase this year and Finland is gaining market shares abroad.

At the same time the fall in export volumes to East bloc markets and most importantly the Soviet Union has been less sharp than feared with a decline of 10 per cent in volume instead of the 20 per cent feared a year ago.

In its important bilateral trade with the Soviet Union, which is based on five year trade agreements and in which the trade is supposed to balance over the medium term, Finland has managed both to increase and to diversify its imports including natural gas.

At the same time Finland is taking increasing amounts of Soviet crude oil for re-export to the world market, and this year Neste, the Finnish state-owned oil company, is likely to export a record level of some 4.5m tonnes of crude with a similar volume expected for 1988.

The Finance Ministry appears

to be fairly sanguine about the outcome of next year's wage round. Based on wage drift and the carry-over from previous agreements wages are due to rise next year by about 5 per cent, but it is likely that the national wage bargaining round could bring an additional rise of at least two percentage points.

Such a development could result in a rate of inflation in 1988 of around 3.5 per cent. The official government target is aiming rather optimistically at reducing inflation to only two per cent next year, and as a result the Government announced a careful tightening of fiscal policy in the budget for 1988.

The rate of growth in public expenditure is being slowed to 2 per cent in volume terms after an increase of 5 per cent in 1987. In addition there will not be a full inflation adjustment of income tax scales, with the Government adjusting for a two per cent inflation rate rather than the expected 3.5 per cent.

The budget has been partly designed to support the process of structural change in the Finnish economy, which the new Conservative-Social Democratic coalition Government has identified as its major challenge. It is increasing the allocations for research and development by 12 per cent to more than Fm5.5bn next year. Overall expenditure on university level education will increase by 14 per cent, and there is to be a 14 per cent increase in funds for occupational training.

Funds for applied research to benefit industry and other sectors involved in the promotion of domestic production are rising by 14 per cent.

Imports and Exports

	1986	1987*	1988**
Volume of merchandise exports	1/2	3 1/2	2
- metal and engineering industries	0	3	4
- forest industries	2	5 1/2	2
- other exports	-1	1/2	-2 1/2
Price of merchandise exports ¹⁾	-2 1/2	2	3
Volume of merchandise imports	5 1/2	6 1/2	3
- raw materials and fuels	5	5	3
- finished goods	8	8	3
Price of merchandise imports	-10	-1	3
Terms of trade ²⁾	8 1/2	3	0
Trade balance ³⁾	4.2	4.4	3.9
Balance of payments on current account	-4.5	-5.6	-5.6

¹⁾ According to the unit value indices of the National Board of Customs.
²⁾ Incl. adjustment items.
Source: Finnish Finance Ministry.

After several years of discussion but little action Finland is preparing a major tax reform from 1989. The main elements of the Finnish tax reform package inevitably resemble steps being considered in many other industrialised countries.

It is planned that the income tax system will be less progressive and that there will be lower marginal rates. Sources of income that are currently untaxed, such as interest income from bank deposits, will in future be taxed. The aim, says the Finance Ministry is to introduce a more equal and neutral taxation of interest income and capital income, in order to avoid the distortions in the financial markets caused by the present tax system.

Corporate taxation is also on the reform agenda with probable cuts in the rate from 33 per cent to 20-25 per cent but with a larger tax base. Finland currently has, for instance, some of the most liberal depreciation allowances of any of the industrial countries.

The tightening of fiscal policy planned in the 1988 budget may ease some of the pressure on monetary policy, but Mr Rolf Kulberg, Governor of the Bank of Finland, is extremely cau-

tious about the prospects for lowering interest rates at a time when the economy is already running strongly.

"Interest rates are still very high in real terms," he says, "but we cannot see why they should be lower. There is a rapid credit expansion in the banks, there is a boom in the economy, exports are growing well, and private investment is rising, by 10 per cent in industry. When we have a boom like now, why give more freedom to demand factors?"

The central bank is interested in maintaining high real interest rates as a weapon in curbing inflation and supporting the current account.

The central bank's firm stance in August last year in fighting a wave of speculation against the Finnish currency has been rewarded by a strong recovery in the country's foreign exchange reserves. The reserves of convertible currencies were drained from around Fm200bn at the end of 1985 to only some Fm80bn in August last year, but they have risen throughout 1987 as confidence was restored and moved back to about Fm245bn by September.

Kevin Done

Turning point

continued from page one
Centre Party's candidate in next year's presidential election, he had made no secret of his strong desire to take over the premiership, as leader either of a purely non-Socialist Cabinet, or of a broadly-based Conservative/Centre/Social Democratic Government.

In the weeks of delicate negotiations that followed the election he was totally out-maneuvred, however, by a President eager to explore other alternatives to a purely non-Socialist Centre Party, the party of former President Urho Kekkonen and previously an apparently indispensable element of any Finnish Government coalition, to suddenly find itself in opposition.

The increasingly threadbare personal relations between Mr Vyyrynen and Mr Kalevi Sorsa, the former Prime Minister and Social Democratic chairman, had made further co-operation between the two parties virtually impossible, however.

It is still early days for the new coalition, but the first months of the new Government led by Mr Harri Holkeri, former chairman of the Conservatives (known in Finland as Kokoomus - the National Coalition Party) and most recently a director of the central bank, has proved remarkably calm, suggesting that the new government model could prove extremely durable.

A combination of the Conservative and Social Democratic parties might appear from the outside to be an unlikely basis for a new government, but the speed with which they united on a government programme and divided up the ministerial posts, and the ease with which they have compiled their first Budget, illustrates that the two parties have much more in common than a traditional analysis of the right-left political divide would suggest.

By the standards of Conservative Parties in most West European countries Finland's Conservatives would probably be more properly classified as a centrist party. It is the Centre Party with its roots in the rural areas that today is more representative of traditional conservative values in society.

The switch to a Conservative/Social Democratic coalition from the long-lived Centre/Social Democrat alliance also reflects the more profound shift in Finland over the last three decades

towards becoming a predominantly urban society.

The Finnish constitution has also played an important role in easing political co-operation across the traditional right-left political divide, by requiring a qualified two-thirds majority rather than a simple majority for major issues, not least taxation.

For the Conservatives the election was a watershed in their fortunes, as they re-entered Government for the first time for 21 years, and it is the first time since the 1940s that they have held the office of Prime Minister.

Led in the election by Mr Ilkka Suominen - Mr Holkeri had handed over the party reins as long ago as 1978 - they emerged as the main victor gaining nine seats, while the Social Democrats lost more than 100,000 votes and one seat.

The Social Democrats remained the largest single party, however, with 56 seats compared with 53 for the Conservatives, 40 for the Centre Party, a gain of three, 13 for the Swedish People's party, a gain of 2, and 9 for the Rural Party, a loss of 8.

The present coalition parties claim 131 of the 200 seats in parliament, just short of the full two-thirds majority but facing a splintered opposition.

One of the major fears expressed about the non-Socialist Government alternative was that it would radicalise left-wing opinion in the country and would create a united parliamentary opposition capable of blocking any major reform initiatives, and could lead to serious disturbances in the labour market.

Such is the extraordinary calm that has descended on Finnish politics since the election, that the outcome of next spring's presidential election is already taken for granted. Any result but the re-election of President Koivisto, a former Social Democratic Prime Minister, would be a monumental political upset.

The only excitement remaining is whether he will receive the necessary simple majority of the popular vote to ensure immediate election, or whether the outcome will have to be decided by the traditional election college.

Kevin Done

After deregulation financial markets are booming

Stimulus welcomed

CONSIDERING ITS speed, deregulation of Finland's financial markets has been a very smooth process. During the past 12 months all short-term lending has been liberalised, new money market instruments dot the scene and the Bank of Finland has changed the interest rate weapon to open market operations as its tool to implement monetary policy. And all this has provoked practically no disturbances in the markets.

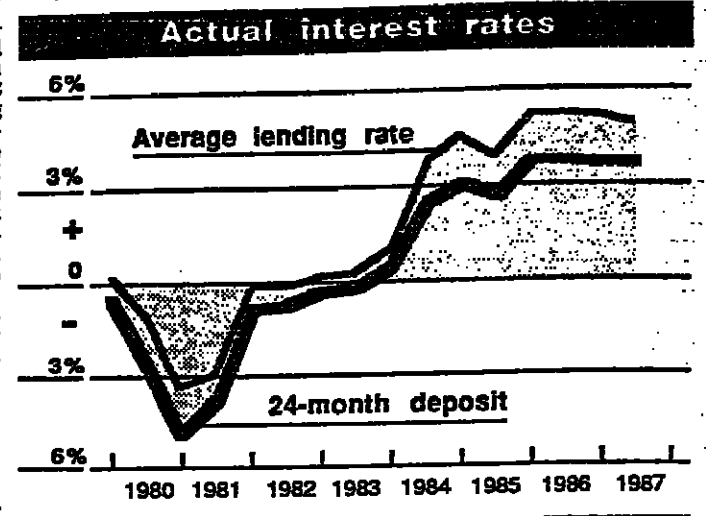
Meanwhile the Markka has regained strength after heavy speculation and depletion currency reserves in August, 1986. Still, the Bank of Finland keeps interest rates at relatively high levels to curb pressure in consumer prices. The Bank of Finland has consistently followed its policy of gradual deregulation and, unlike a couple of years ago, when it was considered either too slow or too stringent, the central bank's actions are now almost universally approved.

Along the path of liberalisation one measure stands out. In August 1986 the Bank of Finland gave banks a free hand in setting their lending rates. Before that the rates were tied to the base rate or a complicated formula based on each bank's cost of borrowing.

So practically all new loans are priced at market interest rates and the central bank has allowed banks to pass some of the cost even to some outstanding loans. The base rate, which used to be the corner stone of the whole system just two to three years ago, now plays a minor role.

While the base rate, now at 7 per cent has a lesser role in setting lending rates, it is still important in Finland's unique system of tax free deposits. The law governing tax exemption of deposits, which expires at the end of 1988 and is expected to be abolished after that, ties the normal deposit rates to the base rate. The same applies to government bonds, which are still largely tax-exempt, although the first taxable bonds have already been introduced.

The call money rate, which the Bank of Finland established to regulate the growing money markets, has also become more or less obsolete. The central bank preferred a system in which markets rather than its own adjustment would determine the market rates. So, from December 1986 to April this



year, it operated a system in which the central bank auctioned three-month credit to banks.

At the same time the central bank retained the call money rates but discouraged their use by widening the margin of the rates. Call deposits now pay 7.50 per cent whereas credit costs the banks 11 per cent.

In May, the Bank of Finland discontinued the three-month credit system. Instead it uses open market operations in certificates of deposits. The central bank now aims at a system in which market forces determine interest rates and intervention happens by monetary policy.

When money market funding became more and more important as opposed to cheap regulated deposits, the increased risks forced banks to establish their own reference rates for lending. The central bank also came to the market in May this year with its own rate, the Helsinki Interbank Offered Rate (Hilbor), which is the average of the bid rates the country's five biggest banks quote for certificates of deposit each day.

The Hilbor rates published are for various periods ranging from one to 12 months. They have now become key rates on the money market and mean while certificates of deposits have grown rapidly in volume. In the beginning of 1987 they amounted to Fm2bn (\$487.5m) while at the end of June the volume totalled Fm17bn. The central bank

paved the way for the rapid development by freeing CDs from cash reserve requirement in the beginning of 1987. Banks contributed by agreeing to accept each other's CDs.

Other new market instruments include commercial paper, local authority paper and treasury notes.

Currency reserves have gone up to Fm25bn in late September compared with Fm8bn at the time of the crisis a year ago. And the Markka has gained 2 percentage points since the beginning of this year.

Despite the strong currency the central bank has done its best to keep interest rates at a relatively high level. This has irritated politicians and industrialists alike.

The three-month interest rate for CDs has come down this year by more than 3 percentage points to 9.5 per cent in late September but compared to the inflation level of around 3.5 per cent and the strong Markka, many regard it as still far too high.

Foreign exchange regulations have also been eased considerably. First the Bank of Finland liberated practically all trade-related transactions. Next it has abolished many rules governing foreign borrowing.

Still, issuing EuroMarkkas is still very much restricted. As of the beginning of October the banks have also been allowed to issue and purchase Finnmark options. Until then only currency options had been available. Olli Viitanen

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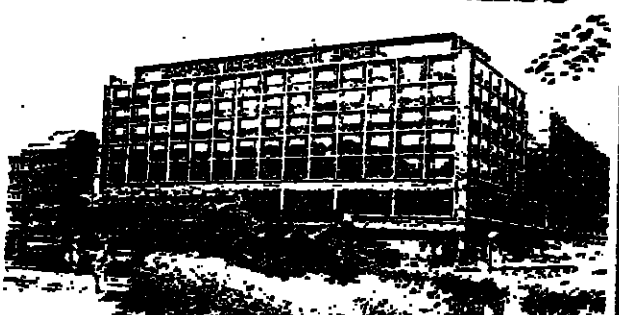
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Banking

Free-for-all tussle

FINNISH BANKS are adjusting to the liberalisation of the financial markets coupled with increased international activities which have forced them to rethink their strategies. Real competition between banks has started with the bottom line getting more attention than ever before.

Strange as it may sound, the situation is new to Finnish banks. Only five years ago the banking scene was dominated by the two equally big and powerful rivals, Kansallis-Osake-Pankki (KOP) and the Union Bank of Finland (UBF).

Most of Finland's larger industrial companies used one of them as the house bank. Now, with liberalised lending rates and new money market instruments dotting the landscape, Finnish banking has become a free-for-all. Companies shop around for best terms for credit and deposits while banks now see their interest rate margins squeezed in the grips of increased competition.

KOP and UBF have felt the effects of competition probably more than any other player. For years they were able to rely on tax-free deposits as their main source of funding. Now more than half of the funding comes from the money markets. And credit has to be sold, not granted as in times when the Markka was a scarce commodity.

Meanwhile other banks, such as the savings bank group Skopbank, the cooperative banking chain Osakebank and Postipankki, the post office bank, are all actively wooing blue chip clients.

Furthermore, their operations in the international capital markets have increased and become more complex. In fact, the biggest banks do not separate their domestic and international operations any more.

Still, if the changing environment has brought problems for KOP and UBF, that is exactly how they want it. For years the two have urged the Bank of Finland and other authorities to speed up the liberalisation process. And they still think there is room for more steps to be taken.

The two large commercial banks would like to abolish the interest on deposit accounts. The subject is linked to the unique system of tax-free deposits which provides banks with cheap, subsidised funding. Skopbank and Osakebank, which encompass a wide net-

Deposit Banks as at December 31 1986

	Number of Banks	Number of Branches	Employees	Balance Sheet (m)
Commercial Banks	10	933	18,281	218,763
Savings Banks	241	1,326	10,560	59,475
Co-operative Banks	370	1,228	7,819	54,831
Postipankki	1	50	6,030	48,929
Total	622	3,537	42,690	381,998

Commercial Banks as at December 31 1986

	Number of Banks	Balance Sheet (m)
Kansallis-Osake-Pankki	464	84,875
Union Bank of Finland Ltd	430	88,516
Ålandsbanken Ab	21	1,421
Paraspankki	1	1,002
The Central Bank of the Savings Banks	3	23,497
The Central Bank of the Co-operative Banks of Finland Ltd	1	19,488
Osakebank Ltd	1	1,302
Indosuez Osakepankki	1	839
Midland Montagu Ltd	1	76
Postipankki International Ltd	1	24

work of independent local banks, strongly oppose abolition of the system since it would directly influence their funding abilities. KOP and UBF feel more secure since the banking groups could more easily spread money market funding throughout the branch network.

Increased competition has forced the biggest banks to modify their internal structures, too. UBF and KOP have established strong sectoral units, banks within the bank to emphasise profit orientation.

With interest rate margins getting narrower the banks have turned to other sources of income. Various financial services now bring in more revenue than ever before. There is even talk of charging a customer for withdrawing money from his own account.

Skopbank, Osakebank and Postipankki have also shed their old image of 'deposit takers' and actively play on the financial markets. Skopbank is second to none in its domestic capital market operations while Postipankki is very active in international capital markets, particularly in bonds.

In principle, the Government wants all forms of banking on equal footing. This will mainly affect the financial structure of the savings banks and cooperative banks. A new law on Post-

ipankki will take effect as of the beginning of 1988.

New money markets instruments, such as certificates of deposits and commercial paper, have attracted all banks. Meanwhile they all profit from the capital market boom by operating on the Helsinki Stock Exchange.

The four foreign banks currently operating in Finland have also entered the money markets with vigour. All of them, Citibank, Indosuez, Midland Montagu and Paraspankki, concentrate on investment banking trying to find their own niches.

For the moment money market trading has proved to be one of the most profitable activities for foreign banks. In addition they are active in foreign exchange and capital.

As one Finnish banker put it recently, "competition among banks has not increased during the past twelve months. It has only started now". The next step KOP and UBF will face is competition against other stock market quoted companies.

Liberalisation has not adversely affected their bottom lines, but neither has it done anything to their dividends. The banks still pay the same dividend no matter what the net result.

Olli Virtanen

FINLAND'S CAPITAL markets have witnessed a small revolution during the past two years. Share prices and the turnover of the Helsinki Stock Exchange have rocketed as investors awash with cash have chased a limited number of stocks.

Yet the biggest rally may still be ahead. Options have become a hot issue even before the first deals have been made. Two competing options exchanges were established at about the same time at the end of September and market analysts expect a boom when they begin to operate.

In sheer numbers the development of the Helsinki Stock Exchange during the past two years has been almost unbelievable. Take turnover, for example. In 1985 the total value of the shares traded was FM3.1bn (\$702.9m), this year it is expected to rise to FM22bn.

The same applies to the share prices. They rose an average 65 per cent in 1986 and by the end of September this year the index had gone up by another 51 per cent. Market capitalisation of the HSE rose from FM30bn at the end of 1985 to FM90bn in September 1987.

The underlying reasons for the boom are obvious. First, most of Finland's economic indicators spell good times ahead. GDP will grow by at least 3 per cent this year, exports to the West will flourish and even the stagnating trade with the Soviet Union is picking up, although slowly.

The Markka is strong and tax reforms have left Finns with more of them in their pockets.

POSTIPANKKI, FINLAND'S post office bank, is undergoing changes which well summarise the liberalisation of the whole banking industry. In principle, authorities acknowledge the advantages of free competition but more often than not they stop short of going the whole way.

From the beginning of next year, Postipankki will be a limited liability bank, and, in effect, Finland's third commercial bank. But it will still enjoy privileges which are bound to irritate its competitors.

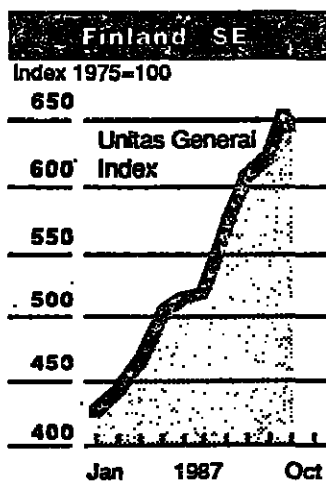
Established in 1886, Postipankki has traditionally been a government agency operating as the main vehicle for transactions to and by the state. Thanks to its convenient branch office network in connection with the country's post offices, Postipankki also attracts private depositors.

During the past few years, however, the bank has become more or less a direct competitor to other banking groups. One of its guiding principles is to be 'the second bank' for clients who have a tight house bank relationship.

Olli Virtanen

Capital markets and stock exchange

Share prices soar



Deregulation of the financial markets have also made people more conscious of the various new investment alternatives. The stock market itself has also heard a lot of good news lately. The first unit trusts have started operations this autumn. The average net income of the listed companies is estimated to grow by 30 per cent this year

compared with 1986. And then a number of new entrants will probably be listed in the near future.

These include one or two state-owned companies, possibly within the next 8-12 months, and Sampo, the large mutual insurance company, which is in the process of transforming itself into a listed limited liability company. All this is good news for the average investor, but at the same time the rally has given a bad name to the markets.

Finns now call it the 'Casino economy'. Much of the boom, and the nickname, is attributed to 'investment companies', firms usually established by one or two individuals for the sole purpose of trading securities. More often than not these firms operate on money borrowed from banks which accept up to 80 per cent of the value of the securities as collateral.

While these companies have prospered with rising share prices, their shaky ownership structure may speed the fall of the market when the prices hit their peak. Options and warrants (which in Finnish language also translate as 'options') also fuelled the casino image.

First, companies discovered bonds with warrants as an ideal way to raise money at interest rates as low as two to five per cent. With warrants attached at the time of the stock market boom, the issues were a phenomenal success among investors. Some of them reportedly even spent a night outside bank offices to make sure of getting a piece of the action.

Most issues were oversubscribed many times. Two had to be withdrawn and redistributed when a computer failed to cope.

Until now some FM2bn worth of bonds with warrants have been issued this year with more in the pipeline. These bonds may be good for the issuing companies but the HSE is not entirely pleased. Bonds with warrants do not alleviate the lack of material, which has contributed to the rocketing prices. There are only 53 companies currently listed on the HSE, only three more than in 1980. Meanwhile the number of stockbrokers has increased from 11 to 21 including two foreign banks, Citibank and Midland Montagu.

The real options fever culminated in late September when

Union Bank of Finland, Skopbank and the brokerage firm Kuningas announced that they would set up an options exchange and invited other banks and brokerages to join them with a minority shareholding.

This antagonised other banks, most notably UBF's main rival Kansallis-Osake-Pankki, which emphasised a need for all parties to act in unison. Neither of the exchanges has started trading, yet, but the situation at the beginning of October resembled that in Stockholm, where two options exchanges compete in a relatively small market.

Despite its handicap the Helsinki Stock Exchange, and the country's capital markets as a whole, have reached a level of maturity which is comparable with other West European countries. Price-earnings figures of five, which were common on the HSE only a few years ago, are now a thing of the past and the average ratio has climbed closer to 15. Liquidity has also increased rapidly. The average annual turnover of shares was seven per cent of the shareholders' equity in 1985. This year it is expected to rise to 25 per cent.

Foreign investors have also noticed that one can get rid of Finnish shares without disturbing the markets. An example of this is George Soros, the fund manager dubbed as the most successful investor on Wall Street, who has sold off practically all his Finnish holdings worth an estimated \$200m during this year.

Olli Virtanen

Profile: Postipankki

A privileged role

The more active Postipankki became the more other banks, most notably Union Bank of Finland and Kansallis-Osake-Pankki, the two leading commercial banks, voiced concern of what they claimed were its unfair advantages.

First, the banks complained, Postipankki did not have solid requirements since, according to the Postipankki Act, it operates under the responsibility of the state. Secondly, its role as the distributor of and depositor for the state's transactions was seen as unreasonable.

At the same time the Bank of Finland continued to liberalise the money markets. Regulations gave way to market forces and competition between banking groups increased. So, it was only logical to bring all forms of

banking onto equal footing.

The Government left a proposal to amend the law on Postipankki to the parliament in mid-September. Under it Postipankki will become a state-owned commercial bank with maximum share capital of FM500m (\$113.6m). The Government will initially subscribe all the shares, and in the long run retain at least 51 per cent of the share capital.

Despite good intentions, the proposal plans to leave Postipankki with privileges which are strongly opposed by other banks. First, Postipankki would continue to carry out all the Government's payment transactions, although payments to the state coffers could be channelled through any bank.



Mr. Heikki Tuominen

Secondly, the equity of the Investment Fund of Finland (IFF), a state-owned financing vehicle administered by Postipankki, would be transferred to Postipankki Ltd. This would give the new commercial bank FM1bn worth of extra equity capital.

Thirdly, the state would still continue to provide limited guarantees, totalling one half of the combined equity capital of IFF and Postipankki.

The bank dismisses the accusations of unfair advantages. Running the state's payment transactions is a non-profit operation, claims Postipankki's chairman, Mr. Heikki Tuominen.

The strategies of the bank, says Mr. Tuominen, will not change because of the new law. It will continue to develop its operations as a commercial bank, what it has effectively been for several years.

The effects of the laws are mainly confined to the bank's administration. On the other hand, the bank will now be able to acquire more capital for further expansion.

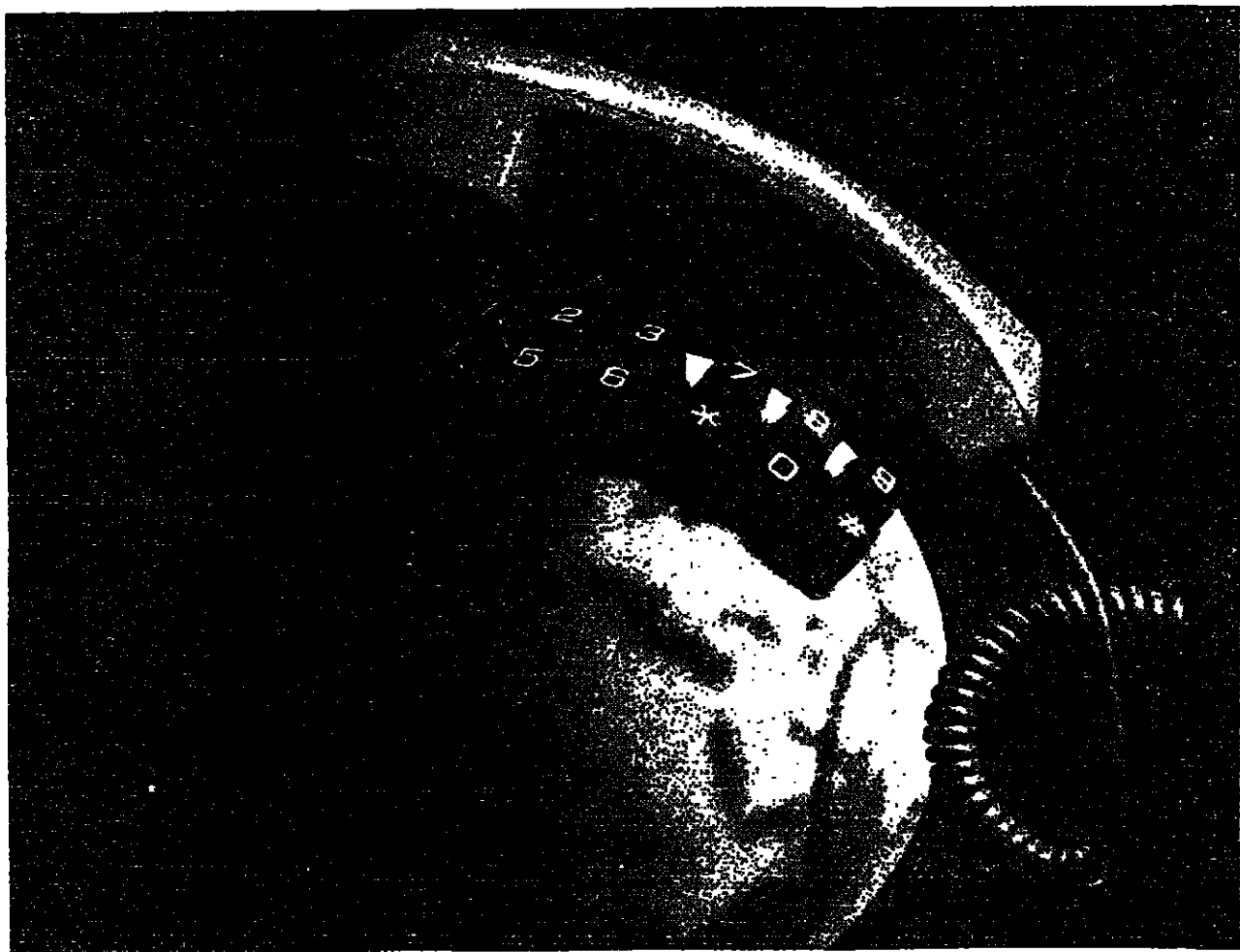
Postipankki's assets at the end of 1986 totalled FM49bn which makes it about half as big as its main rivals, UBF and Kansallis.

Mr. Tuominen will retire in February 1988 at the age of 67. He will be replaced by Mr. Sampo Lindblom, a member of the board at the Bank of Finland. He is a Social Democrat and was Minister for Trade and Industry in Finland's previous government.

Olli Virtanen

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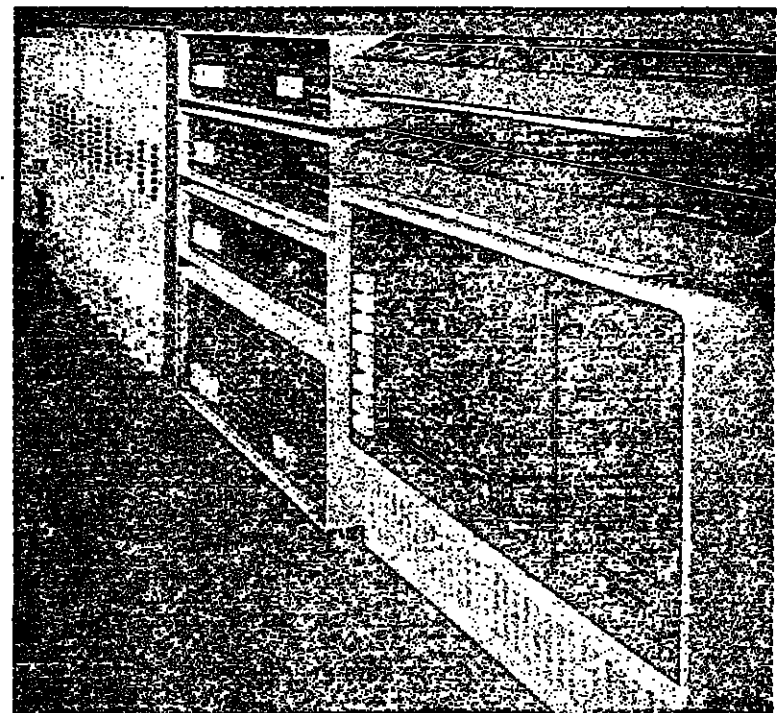
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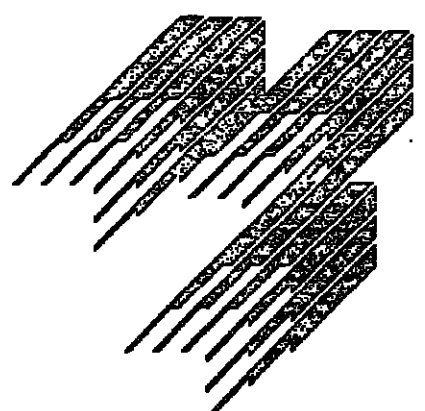


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Profile: Kemira

Finland's Triple A success story

THERE IS something contradictory about Kemira. The company enjoys a virtual fertiliser monopoly in Finland and yet, it is one of the country's most internationally orientated enterprises. It is state-owned but is still one of the most active and innovative companies in foreign capital markets.

The company's history makes a similar contrast. Since it was established in the 1920s Kemira has grown steadily without much competition in the fertiliser business. But during the past five years its turnover has grown almost three-fold to the estimated Fm8.5bn (\$1.95bn) in 1987 mainly through acquisitions outside of Finland.

In 1982, Kemira had production units only in Finland. Today some 40 per cent of its turnover comes from foreign plants. The brand new head office in Helsinki bridges the two extremes Kemira has to deal with.

Its products are based on nature and they end up with farmers aiming to improve the yield in the harsh Nordic climate. On the other hand, the company officials shuttle between financial centres to tap funds for new acquisitions.

The acquisitions since 1984 include the British paintmaker Donald Macpherson Group (turnover \$190m), Esso Chemical Holland (\$185m), the titanium oxide business of American Cyanamid (\$160m) and the Belgium fertiliser operations of Societa Generala (\$290m).

In addition, Kemira has formed a joint venture fertiliser company with the Danish Superfos.

All that has made Kemira the number two fertiliser company in Europe and the fifth largest titanium oxide producer in the world. "Size does matter, at least in this business," says Kemira's chairman, Mr Yrjaas

Pessi. Fertiliser business is all about volume, and synergy also plays an important role.

In the chemical industry waste from one process can be utilised in the next. And that explains the various branches Kemira has grown. Its core business, fertilisers and pesticides, now accounts just 48 per cent of the total turnover.

Pigments (18 per cent), paints (16 per cent), fibres (7 per cent), industrial chemicals (4 per cent), biotechnology (4 per cent) and explosives (3 per cent), all have their roots in the original business idea.

With a market share of 99 per cent in the domestic fertiliser business Kemira enjoys a unique position. Its pricing policies have been criticised but the few private entrepreneurs who have tried to penetrate the market with imported products have not been successful. "We try to keep it that way,"

says Mr Pessi, "not by protectionism but by increasing our competitiveness". Partly through its well-secured position, Kemira has been able to finance its acquisitions with relative ease.

Its net interest expenditure will be just 29 per cent of the operating profit this year, down from 41 per cent in 1982. Capital investments will total Fm1.9bn (\$450m) this year, up from Fm1.7bn in 1986. Furthermore it has actively tapped international money markets.

It has launched a number of eurobonds in currencies best suited for its foreign acquisitions. With a triple A owner (the state of Finland) behind it, Kemira has sold the paper at relatively low interest.

The owner does little to enhance Kemira's success. The company regularly pays an 11 per cent dividend which is more than it gets back in increase in

the share capital which currently stands at Fm488m. Later, however, the Government has indicated willingness to allow some state-held companies, including Kemira, to sell shares to private investors.

Kemira will probably take Tikkurilan Vauritöytä, the paintmaking subsidiary, to the stock market as soon as the Ministry of Trade and Industry will give the green light. The move would entail only a partial privatisation with the state maintaining a majority.

Growth, says Mr Pessi, is an aim in itself for Kemira. And at the same time it means expanding more in international markets. The "monopoly business" brings in only one fifth of the total revenue. Now the company depends more on research and development as well as shrewd business decisions.

Olli Virtanen



In Helsinki, the sea front is never far away

Living in the city

Comforts by the sea

WE SPENT one night at a party eating crayfish and drinking too much wine and Aquavit, by candlelight. Outside the wall-length, double-glazed picture window, yachts rode at their berths in the bay between us and the centre of Helsinki.

We could see the golden onion dome of the Orthodox Cathedral, and the lighthouse beacon on the nearby island fortress of Suomenlinna.

We were indulging ourselves and feeling comfortable, which is very easy to do in Helsinki. It is indeed a bourgeois town which, given a longer summer, might be close to paradise.

Helsinki's size, its green openness, the watercourses and the outcrops of bedrock give the place a raw, frontier feel, so that with all the birch and maple and pine trees, it could be Canada, or the northern US.

The impression is heightened by the 15 TV channels available in much of the city, mainly through satellite and cable, and mostly broadcasting Anglo-American pop. Teenagers dress in jeans and leather; some cruise around in Fifties Buicks, eat in the brass hamburger bars, speak with American accents, listen to rock and roll and watch Crocodile Dundee and Radio Days.

It is a modern city with all the amenities, and its services, social and cultural, are of a high standard. The capital is expensive to live in, especially for food and housing, but it is comfortable, accessible and - in summer - a beautiful place to live.

I do not drive a car but I can rely completely on the transport system. Buses are punctual and comfortable, there are new trams and, under ground, a metro line that is only five years old.

It costs me just over Fm100 a month (about £14) to travel throughout the capital and if I

need to I can summon an expensive taxi, probably a Volvo or a Mercedes. When we were ready to leave the party at 230am one arrived within five minutes.

When my younger son cut his head and had to be taken to hospital, I called a taxi instead of an ambulance and Social Security reimbursed me.

The hospital we went to looked faded and run down, and we had to wait about an hour for attention, but then he wasn't seriously hurt. They patched him up and we came home by taxi too, also paid for by the State.

Probably because women are such a prominent part of the workforce, they make sure that children are looked after. Both of mine went off to full-day play schools at the age of one year and my fears that they would

Russian, but English is by far the most popular with the Finns. And statistically he will have a much better chance of getting to university than if he were in England.

From Helsinki's ambivalent climate you need escape. Notwithstanding some magnificent, though short, summers when there is light in the sky constantly from May to August, the icing-cake winters are too long. So Finns take at least a month off a year, including a week for skiing each winter, and more and more head off abroad, for the sun.

Still, high prices apart, Finns in Helsinki believe they live in paradise, and with some reason. The services work and the people must be among the most trusting and trustworthy in Europe. As a friend said: "It's a very unthreatening place."

Yet the Finns remain shy, insular folk, difficult to reach and with an infuriating ability to turn their backs on the world. Their passion for order and orderliness, their seriousness, their instinctive reverence for authority, are traits that are often blamed on their Russian colonial past, but their stubborn individualism is as likely to come from their roots and their yearnings for the countryside as from their history.

It is these obvious conflicts of identity: spontaneity versus authority, the town versus the backwoods, the indigenous versus the foreign, that make Finns worry about losing their *suomalaisuus*, their Finnishness. It is a word over on their lips and in the media.

They want the trappings of materialism, and they are acquiring them at a more rapid rate than any country in Europe, but they are not sure if their own culture can withstand the onslaught.

Joseph White

Profile: Wartsila

Adapting to changing trends

WARTSILA'S shipbuilding and manufacturing operations have shaped the coastline of Helsinki more than any other company. During the past 12 months it has continued the process by closing down one Helsinki shipyard and building a luxury seaside hotel in another location in the capital.

Meanwhile the company itself has been shaped by trends in the shipping industry. Dwindling orders both from the West and the Soviet Union forced Wartsila to join forces with Valmet, another Finnish metal and engineering company.

The two merged their respective shipbuilding and paper machinery divisions into two jointly owned companies with Wartsila controlling shipbuilding with 70 per cent of the stock while Valmet runs the paper machinery company with a 65 per cent shareholding. Soon after the mergers at the beginning of this year Wartsila closed down one major shipyard in an eastern suburb of Helsinki.

Since then Wartsila Marine has received a number of important orders, including two luxury cruise liners from the United States, one from Norway and 11 cargo vessels from the Soviet Union. Still, the young company will make a substan-



Sea Goddess I, built by Wartsila, visiting London

tial loss this year, say Wartsila.

New orders are more than welcome to Wartsila to keep the present 8,000 people at its main shipyards in Helsinki and Turku fully employed. Yet, realising the doldrums in the industry the Wartsila Group now puts emphasis on its other business sectors.

In 1986 shipbuilding accounted for 47 per cent of Wartsila's consolidated net sales of Fm6.1bn (\$1.4bn). This year Wartsila Marine's sales figure will drop to just over Fm2bn, even though it includes Valmet's former shipyards. This means that the group turnover for this year will fall to about

Fm5bn and the loss of the Marine division is likely to make a dent on the group's results.

Wartsila's other business sectors are diesel engines (17 per cent of net sales in 1986); sanitary systems (10 per cent); security systems (7 per cent); tableware (4 per cent) and factory automation (0.5 per cent). The fastest growers will be the diesel engines and the factory automation divisions.

Every division has production units outside Finland. They account for some 20 per cent of the total group sales which is about as much as the revenues generated in Helsinki.

In addition to being the world's leading builder of cruise liners and passenger vessels (30 per cent global market-share) as well as icebreakers (60 per cent) Wartsila Marine can also boast one of the finest locations in Helsinki.

The Hietalahti shipyard is situated right in the centre of the town. So much so that Helsinki city officials have tried to move the facilities elsewhere in order to make room for a seaside housing development.

That would not be the first time that Wartsila's properties were converted from factories into flats. Some ten years ago it moved a paper machinery plant

from another beautiful seaside location. The vacated land was developed into an urban and controversial housing complex in Helsinki.

Wartsila has no intention of giving up the Hietalahti yard, a site of shipbuilding since the 18th century. But at the same time Wartsila, relatively liquid despite problems in shipbuilding, is developing another vacant seaside location. Next to its relatively modest headquarters, just a slingshot from the heart of Helsinki, Wartsila is building a luxury hotel.

The hotel will face a boat marina and its 200 rooms are to be built to five-star standards. The hotel will be leased to Finnair who will operate it under the Inter-Continental banner.

According to Wartsila's information chief Mr Ari Valjakka, the diversion from metal and engineering industries is not as big as it looks. "The hotel will be just another luxury cruise liner but this time it doesn't move."

Although it is one of Helsinki's biggest and best-known industrial firms, Wartsila is still proud of its modest roots. The official domicile of the group is a small commune on the eastern border of Finland called Vartia (population 950).

Olli Virtanen

"As a designer I have two alternatives. I can either be content with solving all the usual design problems and reach an esthetically pleasing result. Or, I can go further. I can create a demonstrative design that communicates both its identity and function."

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☐ Technology ☐ Forms Finlandia plastic design competition

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Lisa Krohn of America won first prize at Neste's international "Forma Finlandia" plastic design competition with her entry "Phonebook". Her design breakthrough combines traditionally separated functions into one, easy-to-use entity. In all, 450 works from 34 countries were entered in the competition.

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THE ARTS

Photography/Gillian Darley

Rodger's magnum opus

For the stark truth, a single photographic image can be an infinitely more powerful weapon than metres of film or videotape. The retrospective exhibition at the Photographers' Gallery devoted to the work of George Rodger—one of the founding members of the Magnum co-operative, with Robert Capa, Henri Cartier-Bresson, David Seymour and Bill Vandivert—is proof of that. His images of wartime London report an ordinary life in extraordinary times.

In his photographs taken at the liberation of Eindhoven in 1944, George Rodger catches the hatred exposed as the lid came off. No constraint left, he showed members of the Dutch Resistance (men) dragging a collaborator (a well-dressed woman) along the cobblestones. His Belsen pictures imprint their message another way. He photographed four plain, vacant, similar figures, taken from the back, as they prospected a ghastly heap of corpses.

He took no more war photographs after that visit. As the first photographer into Belsen, his own professional attitude had sickened him. "I knew something had happened to me and I had to stop," thus the "after-the-war" pictures—Annet, Gypsydancers, which Chelsea Arts Club in 1946—are more likely to be a dry, disillusioned look at the world trundling onwards than reassur-



London in the Blitz, 1940, by George Rodger

John Martyn/Hammersmith Odeon

Antony Thornecroft

John Martyn is graduate of the Van Morrison School of Celtic Guitar. Oddballs, which makes him balding, paunchy and theatrically erratic. With Morrison it usually works on stage because of the emotional intensity he brings to his music. Martyn, at the Odeon Hammersmith on Friday, often looked as if he would be happier back in the public bar.

It was a pity he delivered such a flat performance for, in a 20-year career, which started in the Glasgow folk clubs, he has created much good stuff, especially around 1970 when he helped to pioneer electronic folk with albums like *Storm* and *He later lost his way down the hypnotic echoes route, and it was this perverse Martyn who dominated a long, rambling, track down memory lane.*

Sometimes it began to hang together, as with the mesmeric "Dealer," but Martyn's laid-back, almost comatose

approach does not work well in a big theatre, where he has lumbered himself with a five-piece band, taped back-tracks, and two girl singers who hop up and down like window cleaners. The audience, and stubbornly sedentary and even his solo spot failed to bridge the emotional gap. Martyn still polishes up his social conscience, but a new song, "Grey Man," about a Sheffield worker, discovered him musically at sea in these modern times. He also seemed reluctant to let rip on the guitar solos. The best part of the evening was playing the album like *Storm*.

Supporting Martyn on tour (as is at the Town and Country tonight and tomorrow) is Cry no more, a band which incorporates roots rock and a country rock group, the Strawbs. Despite the political posturing of their title song, the band seems to have a good ear for a tune.

Architecture/Colin Amery

The potent vision of Hugh Ferriss

Hugh Ferriss was an architect, a city planner, an architectural perspective artist and a visionary. Born in St Louis in 1889, he died in 1962 and is principally remembered as an American artist who drew memorable evocations of the skyscraper. Once you know his work it is hard to look at a city, particularly New York, without sharing his extraordinary sense of urban drama. Like Piranesi, Ferriss has the capacity to endow architecture with a presence beyond their physical substance.

It is a privilege to be able to see a magnificent exhibition of his drawings in London, at the Architectural Association until October 31. These drawings were shown in New York and Paris and it is much to the credit of the Architectural Association to have secured them.

That Ferriss was a man with a vision is clear from his two books: *The Metropolis of Tomorrow*, published in 1929, and much later, *The Power of Buildings* in 1953. He both drew and projected what he was building his vision, working first of all as an architect for Cass Gilbert on the earliest of New York's major skyscrapers, the Woolworth Building.

Ferriss was thought to have been critical of Cass Gilbert's Gothic tower, although he was fascinated by the soaring nature of the building type. There is a drawing in an exhibition of a towering structure simply entitled "Philosophy." Almost mystical, certainly fundamental to his thinking, this potent talisman has to be seen as much more than a mere rendering of a tower: the skyscraper has become power, material progress and symbolic of modern man's conquest of the world. He also felt he had a missionary role that, as an artist, he should help architects to get their designs built. "Not all architects who design well can draw well," he wrote. He was able to evoke a finished building and suggest its powerful atmosphere from a set of plans; sometimes he could effectively conjure up a whole segment of a city. From his essays and beginning Ferriss broke away as a young student to draw the Larkin Office Building in Buffalo, New York—a pioneering design by Frank Lloyd Wright which he called a "powerful and forthright mass."

In 1916 the zoning laws were introduced in New York and they had an immediate and remarkable effect on new buildings, particularly skyscrapers. Ferriss produced a series of drawings to show the effects of these ordinances. The bulk of the skyscraper was contained by the limitations put upon its height, with specific setbacks to allow light and air to reach the occupants. The tower that this law appeared to demand was a pyramid shaped building, massive and solid upon the ground but soaring upwards to a slender top.

It was not just the shape of the buildings that interested Ferriss; he explored also the structural potential of steel. In many of his visionary drawings he sees both the possibilities and limitations of the material. The somewhat cubist qualities of his architectural designs when extended to the height of a skyscraper seemed to prophesy great gatherings of high fives indeed were to be built at New York's Rockefeller Centre.

It is unlikely that we would share Ferriss's rapt enthusiasm and romantic joy that his drawings clearly convey about the modern city. We have seen the reality—although of course we have also seen the powerful beauty of a city like New York. The potency of Ferriss's vision of an imaginary metropolis, where mountainous peaks of building rise from the level plain of six-story constructions, still colours the view of some architects when they contemplate the city. And who is to say that this towering vision is entirely wrong: planned and sited well, high buildings add enormously to architectural pleasure.



Steel Porch—one of Hugh Ferriss's visions of the future on view at the Architectural Association, London

Lucid account of the solo part seemed perfectly judged. It did not attempt any kind of dramatic realization of the concerto's dialectic, but its thorough examination of the concerto's potential as sound and colour proved equally challenging. What could have lapsed into a soporific meander through the byways of a familiar work was transformed into a vital, agonising act of imaginative reclamation.

The territory marked out for the Fifth Symphony was less unexpected. Perhaps its most surprising feature was Norrington's omission of the first exposition repeat: the movement was articulated instead by a nervous energy which spilled over into the slow movement—the key of C minor made to yield up all its neurotic intensity. The scherzo (given with its full repeat) maintained the tension and led to a transition of delicate half-shades—with textures of such refinement, the smallest gesture was made to tell. Less scope for re-invention in the finale, but superb fair in the presentation of the main theme, and consistently excellent orchestral playing. "Revelation" is an over-used description of performance, but Norrington's Beethoven is very special, and presented entirely on its own terms.

Norrington/Festival Hall

Andrew Clements

question of coaching the Philharmonia in the ways of authenticity in a single set of rehearsals; instead a creative compromise, with the adjustments to balance and hence the tonal balance, but conceived strictly in terms of a wholly modern sound, metal-strung, Boehm-systemed.

Such amendments would be merely cosmetic had they not been harnessed to a musical imagination of genuine originality. Norrington's launching of the concerto was mesmerising—extremely measured, riven with silences, and defined by an absolutely precise control of texture, with instrumental detail refined in a chamber-like way. It compelled attention by its lack of insistence, and within such a frame Salvatore Accardo's neutral, technically

lucid account of the solo part seemed perfectly judged. It did not attempt any kind of dramatic realization of the concerto's dialectic, but its thorough examination of the concerto's potential as sound and colour proved equally challenging. What could have lapsed into a soporific meander through the byways of a familiar work was transformed into a vital, agonising act of imaginative reclamation.

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large scale with a good skyline should have been the norm in Dockland where far too much of the development is decidedly unheroic.)

Of equal interest at the exhibition are the almost abstract carbon pencil renderings of mammoth Tennessee Valley dams, and an uncanny view of the giant Hoover Dam on the Arizona-Nevada Line. Bulbous fuselages of aircraft and the angularities of Frank Lloyd Wright lend themselves equally well to the Ferriss treatment. His work shows the visionary power of architecture—something we have almost forgotten today.

Also exhibiting at the AA is the American artist Mary Miss. Her work is hard to classify because her constructions are large enough to be environments in themselves; they are more than sculptures, but less than buildings. For the AA show she has built a construction in Bedford Square which is a good example of her work because it is a very humane creation: her own response to Bedford Square with its private and enclosed garden. A timber circular walkway surrounds a rock filled circle divided by a meridian: it is all about being in a place and in that place doing your own perception of the world.

Her work is asking and answering some of the questions that the British artist Richard Long has been tackling in his work. Like him, Mary Miss walks the mountains of the mind and makes map and takes photographs and synthesises her experiences of the land into her work. It is powerful stuff, and in tune with the problems that face architects—concentrating the essence of places into a new creation.

This week (October 12-18) is City Churches Week—and a chance to see two architectural exhibitions in one setting. Throughout the week, *Architectural Settings for Worship* can be viewed at St Andrew-by-the-Wardrobe and *The Life and Work of Henry Yorke* (builder of the nave of Canterbury Cathedral) at St Magnus-the-Martyr.

Tomorrow, Tuesday at 5.15 pm at St Clement Eastcheap, a talk will be given by Gavin Stamp entitled "The Wren churches of the City and what we have done to them." The week also gives a good opportunity to inspect the magnificent restoration of St Stephen Walbrook — Wren's finest design.

Joan of Arc/Glasgow Citizens'

Michael Coveney

Schiller's *Die Jungfrau von Orléans* is a book of revelations in this new translation and production by Robert David MacDonald at the Glasgow Citizens'. The play does not present Joan of Arc as a saintly figure, but as a case for Joan's integrity or moral piety. It emerges, rather, as a disturbing, tempest-tossed case history of a national heroine struggling with her own sense of personality in conflict with the demands of destiny.

Across three hours of utterly enthralling theatrics, Sharon Bourke's uncouth swaggering country girl accepts and then rejects her historic role. She appears to be the inmate of a sanatorium, dressed in a baggy striped suit, a uniform of madness and criminality. Captured by the English, she dons a brown overcoat on which is stuck a yellow Star of David. Joan is transformed from Resistance heroine to scapegoat of the Occupation.

The updating to the occupied France of the 1940s is an imaginative play that simultaneously dissolves the objection to the historical inaccuracies of Schiller's play and exploits the nationalistic potency of the Joan legend. Although Schiller's Joan is not burned at the stake, MacDonald superimposes a brutal execution on her battlefield expiry and leaves her breaching the celestial rainbow ("the pain is short, the joy is everlasting") as a group of gawping tourists reach for their cameras.

Schiller's play was written when her reputation was in abeyance and before the quest for historical truth was on. As interest in Joan grew, so objections to Schiller's dramatic liberties multiplied, culminating in Shaw's pompous allegation that Schiller drowned his heroine in a search of a cauldron of raging romance.

The sub-title is indeed "Eine Romantische Tragödie," but the Citizens have uncovered a vibrant strain of psychological anguish in the war games. No where is this more pronounced than in the extraordinary second act sequence where Joan disregards the desperate pleas of the homesick English soldier Montjoy (played by a gutsy and butcher him for being a blasphemous invader. Joan has stopped up all wells of sympathy in her nature and, as a result, more learn about herself the hard way.

This she does when unexpectedly smitten in battle with the English general Lionel (Ian Reddington) before the capture of Rheims. The great Act I speech ("the storm of war is hushed; on every side singing and dancing follow the bloody fight. Streets hum with riot, arms are laid aside") signals her rejection of triumphalism and emotional turmoil. Her family, arriving like Shakespeare's Gloucester yodels for the big day in town, are at first greeted as yet more childhood apparitions. Her sheep farmer father (ruggedly played by Patrick Hannaway) denounces her as a devil, and the monarchist double act of Laurence Rudi's foppishly languid King Charles and Mark Lewis's explosively nasty Dunois expel her to the elements. Exiled to the madhouse, Joan's fellow inmate is a lunatic amalgam of the family of charcoal burners Harry Gibson capering dementedly with much rattling of chains and thunder. The battles and exchanges become a vivid nightmare for a girl whose faith, not in God, but in the truth of her cause, has simply collapsed.

The virtuosity and beauty of Schiller's blank verse will be honoured in the translation, which follows the basic principle of pentameter groupings toughened by run-on clauses at line ending. Mr Hannaway's Thibaut is interrupted by Talbot's famous death scene. Such passages are instinct with poetic sensitivity and Mr MacDonald does magnificently to the challenge.

After the Citizens' own *Mary Stuart* and the Royal Exchange's *Don Carlos*, the British theatre, encouraged by the Goethe Institute, may at last be said to have done some justice to her great European dramatist. It is thanks to this brave, uncowled production, and Stewart Laing's setting of it in a bombed-out white-lit institution encased beneath great scaffolded platforms and stairways, that the exercise proves so much more than merely dutiful.

An exemplary, very strong Citizens cast falls with relish on the material, none more so than Julia Black as a guttural and cinematically vampish Queen Isabeau, and Anne Lambton as Agnes Sorel, the king's mistress here rendered in a more decorative market version of Dame Hilda Brackett.

London Camerata/St. John's

David Murray

London Camerata, now three years old, is a chamber orchestra of young professionals. On Saturday at St John's, Smith Square, they had a guest soloist of their own generation, the pianist Kristin Merscher, who chose to play a couple of Liszt's young Mozart's K 271 in E-flat, the first of his keyboard concerti to reveal an original authority.

Miss Merscher made a great impression on Wednesday and Thursday Competitions ago, when she was only 17. She has not been marking time since then: with her first entries in the concerto of Liszt's young Mozart, she was giving the piano a share in the opening theme; she established a strong personality and a commanding share in the music. Big tasks (though no more than the concerto deserves), great rhythmic verve, lively imagination; if the high drama of the Andante was lightened a degree too much by her tingling despatch, the closing presto was irresistibly bright, clean-

fingered and witty London orchestras must invite her back more often.

Paul Hillman conducted with polished deference, a quality rather too evident in the purely orchestral part of the programme. Arensky's *Variations* after Chalkovsky were delivered with grace; a Handel Concerto Grosso and Haydn's "La Chasse" Symphony were smoothly shaped and balanced. Good sense and excellent preparation were apparent, but nothing much like a real, immediate kick, no spur-of-the-moment inspiration. Hillman conducting technique (he is in the first instance an oboist) is so far plain and not very fluent—all right for rehearsals, too limited for confidently free performance. There is more exuberance in the Handel and especially in Haydn's finale, than he made register. The actual playing was of a satisfyingly high standard.

Saleroom/Antony Thornecroft

Nostalgia and snuff

The most noteworthy auction of the week takes place in the garden of Wilsford Manor, near Stonehenge in Wiltshire on Wednesday and Thursday. Wilsford witnessed the birth, and the death 80 years later, of the Hon Stephen Tennant, the aesthetic child of Lord and Lady Glenconner. His mother, Lady Glenconner, was a bottle by Ma Shawcross, signed and dated 1911, with a portrait of the young emperor and a too estimate of £15,000. However, the great majority of snuff bottles sell for well under £1,000.

Tennant was the great friend of Cecil Beaton and a collection of his photographs of Bright Young Things at Wilsford in the late '20s, along with a bust of Tennant by Epstein, represent the only real works of art among the nostalgic paraphernalia.

Tobacco reached China around 1600 and snuff taking became all the rage at the Imperial Court soon after. The Manchus, who conquered the land in the 1640s, picked up the habit, and for the next 250 years snuff-taking became a national pastime. The Chinese kept their snuff in bottles, which reached their peak of elegance in the late 18th century before mass production set in during the next century.

There is a small and keen coterie of Chinese snuff bottle collectors and they should enjoy a busy week with Christie's holding sales today and tomorrow. The specialist is offering the collection of the late Eddie Dwyer

of California who had one of the best groups in the world. Among the 200 lots an imperial Beijing yellow carved glass example, with the mark of the Emperor Qianlong, is expected to make around £20,000. Sotheby's has the second part of the Eric Young collection, which includes a glass inscribed portrait bottle by Ma Shawcross, signed and dated 1911, with a portrait of the young emperor and a too estimate of £15,000. However, the great majority of snuff bottles sell for well under £1,000.

Sotheby's is holding an auction of modern British paintings, drawings and sculpture on Wednesday which provides good opportunities to acquire the work of contemporary artists at prices that are often below those asked by their galleries, Ruskin Spear, Frederick Gore and Elisabeth Frink are among the Ras on offer.

Sotheby's sold the costume collection of Mary Vaudey for £99,311 at Monaco on Saturday. The total was just below the target. The much touted headed dresses of the 1920s failed to attract much interest, mainly because they usually lacked designer labels. The fine confectionery, branded outfits of the 1940s, '50s and '60s did best.

A Jacques Fath black shawl gown of around 1948, in mint condition, made the top price of £4,440. Couturiers from Balenciaga and Yves Saint-Laurent were in the audience along with Mary Vaudey, bidding for their early creations.

Arts Guide

Music

LONDON

Giuseppe di Stefano sings Neapolitan songs and operatic arias to commemorate the 10th anniversary of Maria Callas' death. Elizabeth Hall (Mon), (923 3191).

Leningrad Philharmonic Orchestra, conductor Marin Vassanos, Sergei Stadler violin, Prokofiev, Mendelssohn, Tchaikovsky, Royal Festival Hall (Tue), (923 3151).

English Chamber Orchestra, conductor Hans Vook, Thomas Allen, baritone, Haydn, Mozart, Stravinsky, Elizabeth Hall (Tue).

London Symphony Orchestra, conductor Maxim Shostakovich, Mstislav Rostropovich, cello; Bernstein, Britten, Dvořák, Royal Festival Hall (Thu).

Borodin String Quartet: Borodin, Shostakovich, Tchaikovsky, Elizabeth Hall (Thu).

City of Birmingham Symphony Orchestra, conductor Simon Rattle, Maria Ewing, soprano; Mozart, Strauss, Stravinsky, Barbican Hall (Thu), (633 8831).

NETHERLANDS

Amsterdam, Concertgebouw: Leonard Bernstein conducts the Concertgebouw Orchestra with Lucia Popp, soprano, and Andreas Schmidt, baritone; Schubert, Mahler (Wed, Thu), Recital Hall: Cherubini Quartet (Mon, Wed), Shostakovich Quartet, Borodin, Schumann, Shostakovich (Thu), (71 83 45).

Utrecht, Vredenburg: The Hague Philharmonic conducted by Alain Lombard, with Marc Labret, piano; De-

bussy, Ravel, Tchaikovsky (Tue), The Hague Conservatory String Orchestra under Lev Markic; Greg, Britten, Dvořák (Wed), Pierre's Croisade des Enfants with the National Philharmonic under Jaap Hillen, massed choirs and soloists (Thu), Recital Hall: Shostakovich Quartet, Shostakovich, Stravinsky, Tchaikovsky (Wed), (11 61 44).

Groningen, Concertgebouw: Noel Les, piano; Goethe, Copland, Geršwin, Debussy (Tue), (13 10 44).

Eindhoven, Schouwburg: The Gelders and Brabant orchestras conducted by Georges Odeon, with Jean-Jacques Kantorow; Scriabin, Tchaikovsky, Stravinsky (Thu), (11 11 23).

WEST GERMANY

Frankfurt, Alte Oper: The Vienna Symphony orchestra conducted by Gerd Albrecht, with violinist Ulf Hälscher, play Beethoven and Dvořák (Sat).

PARIS

Les Musiciens d'Amérique: Gala evening with the Columbus Day Concert; Bartók, Johnson, Ellington, Bernstein (Mon), Théâtre des Champs Elysées (473 4777).

Ensemble Intercontemporain conducted by Peter Eötvös; Brian Ferneyhough, Goffredo Petrassi, Luciano Berio (Mon), Théâtre du Rond-Point (4281 5675).

Orchestre de Paris conducted by Daniel Barenboim; Mozart's chamber music (Tue), Théâtre des Champs Elysées (473 4777).

La Grande Scierie et la Chambre du Roy with the Nord-Pas de Calais Choir conducted by Jean-Claude

Malgoire; Charpentier's *Vepres Solennelles* (Wed), Salle des Invalides Church (4330 1516).

Ensemble Vocal Jean-Pierre Lora, Orchestre Français d'Oratorio conducted by Jean-Pierre Lora; Mozambique (Tue), Saint-Roch Church (4281 9620).

TOKYO

Tokyo Symphony Orchestra conducted by Ikaros Tomescu-Galeti, piano Ran Zeman; Enescu, Bartók, Dvořák, Tokyo Bunka Kaikan (Mon), (382 8786).

New Japan Symphony Orchestra, conductor Seiji Mitsuishi with Harumi Hanafusa, piano; Mozart, Bartók, Sadeo Bekku, Tokyo Bunka Kaikan (Wed), (865 4536).

NHK Symphony Orchestra, conducted by Mitsuru Uchida with Toshiyuki Taniguchi, piano; Schalkowsky, Brahms, NIKK Hall (Wed, Thu), (465 1705).

CHICAGO

Chicago Symphony Orchestra Hall: Margaret Hillis conducting, Gary Becklund tenor with Chicago Symphony Chorus, All-Levy programme (Thu), (443 8111).

NEW YORK

Markin Hall (Goodman House): Eric Summaceri piano recital, Jon Deak, John Steinmetz, Bartók, Schoenberg, Prokofiev (Mon); Sylvan Woods, Arthur Weisberg conducting, Francis Milroad, Stravinsky, Weill (Tue), 67th St of Broadway (383 8719).

Kaufmann Hall: Olli Mustonen piano recital, Bach, Schumann, Shostakovich, (Mon), (923 2232).

Mustonen, Prokofiev (Tue), 1285 Lexington (923 8823).

New York Philharmonic (Avery Fisher Hall): Felix Kravtchuk conducting, Miriam Fried violin, Brahms, Shostakovich (Wed, Thu), Lincoln Center (974 3243).

WASHINGTON

National Symphony (Concert Hall): Tamas Vassary conducting, Nancy Crutcher Tunncliffe bagpipes; Mozart, Davies (Thu), Kennedy Center (254 3716).

Central Philharmonic of China (Concert Hall): Li Dejun conducting, Jian Wang 'cello; Berlioz, Elgar, Dvořák (Mon), Kennedy Center (254 3716).

The Phantom of the Opera (Her Majesty's Theatre, London)

The Phantom of the Opera (Her Majesty's Theatre, London) is a musical with a story by Andrew Lloyd Webber and lyrics by Charles Harnum. The musical is based on the novel by Gaston Leroux's 1911 novel, *Le Fantôme de l'Opéra*. The musical is a story of a disfigured man who haunts the Paris Opera House.

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's feline poetry set to trendy music is visually startling and

choreographically fine, but classic only in the sense of a rather staid and overblown idea of theatricality. (226 6222).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audition numbers rather than emotions. (226 6200).

TOKYO

Les Misérables: After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "school" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan. It differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido, Imperial Theatre, near Ginza. (201 7777).

WASHINGTON

Red Noses (Goodman): The American premiere of Peter Barnes' medieval vaudeville comedy pits Father Floe (Ivar Brogger) against the plague which has remade of humour. Ends Oct 31. (443 3890).

FINANCIAL TIMES

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Monday October 12 1987

Vancouver and South Africa

COMMONWEALTH leaders meeting in Vancouver tomorrow face a formidable combination of challenges. They are confronted by the seemingly intractable problem of South Africa, a crisis in Fiji, and a deteriorating situation in Sri Lanka, where another Commonwealth member, India, plays a vital peacekeeping role. Vancouver must produce a constructive response to all three issues if the credibility of the institution is to be sustained.

However it is South Africa, and the impact of Pretoria's actions on the rest of the region, which remains the most pressing test of the Commonwealth's capacity to influence events. Two years after its leaders held their last summit, 18 months after a special seven-member meeting was convened in London, and the collapse last year of negotiating initiatives mounted by the Commonwealth and the European Community, there are few grounds for believing that the South African stalemate is significantly closer to a resolution.

Welcome reforms

Although some welcome reforms have been introduced, progress towards an egalitarian society is very slow. The pillars of apartheid remain intact and President P. W. Botha, returned to power with an increased majority after last May's all white elections, seems no nearer to constitutional talks with representative black leaders. Encouraging developments, such as the meeting in Senegal earlier this year between a group of prominent Afrikaners and the African National Congress, appear offset by the rise of the extreme right Conservative Party.

It's a record which provides material for both sides in the sanctions debate in Vancouver. Proponents of further measures will doubtless argue that the selective steps which have been taken by the United States, the European Community and some members of the Commonwealth are inadequate. Their view is that if sanctions are to be an effective signal to Pretoria of growing

Main backer

Pretoria appears to have been making every effort to disrupt these efforts by its role as the main backer of the rebel Mozambique National Resistance (MNR), whose targets include the roads and railways which serve the hinterland, and a vital oil pipeline to Zimbabwe. Several Commonwealth countries, including Britain, are already supporting SADC projects. But the Vancouver meeting (which Mozambique will attend as an observer) offers a valuable opportunity to discuss ways in which further practical assistance can be provided to the region.

A question of responsibility

When a company makes serious losses and shows no sign of recovering from them the man at the top is usually held responsible, and may be removed from office. When one of the company's subsidiaries makes a serious operational error, causing the death of a large number of its customers does responsibility also go all the way to the top? This issue is raised in an acute form by the case of the cross Channel ferry Herald of Free Enterprise which sank on March 6 with the loss of 188 lives. Pressure on the Director of Public Prosecutions to bring a charge of "corporate manslaughter" against the ship's owners is increasing.

The question of just where corporate responsibility lies, in a company or in specific individuals, remains generally unresolved. In the Herald of Free Enterprise case the purchase of the original owning company, European Ferries, by Peninsula and Oriental Steam Navigation six weeks before the disaster has further confused matters. The chairman of P&O, Sir Jeffrey Sterling, thinks that responsibility for the tragedy rests squarely on the shipboard staff who failed to close the bow doors, thus allowing water to rush in and capsize the ship. Those individuals have already been publicly criticised for negligence, and may be subject to further proceedings.

Inquest verdicts

The blame runs higher than shipboard management, according to Mr Justice Sheen, who chaired the public inquiry into the disaster. He was critical of several named directors of operating subsidiaries of European Ferries. But all the relevant directors and senior managers of Townsend Car Ferries, the directly responsible subsidiary, have now left the company. If they were to be prosecuted they would presumably face charges as individuals. Sir Jeffrey is reportedly opposed to a "witness hunt" against them. But it is

clear from the evidence at both the inquiry and the subsequent inquest, which last week returned verdicts of "unlawful killing," that the system of monitoring the state of the bow doors was inherently unsafe. Whatever statute law may hold, it seems reasonable to assume that a natural justice would require a transport company to ensure that its systems were safe. In the lay view such a company is contractually obliged to do everything possible to protect the lives of its passengers. There is implied recognition of this in P & O's willingness to pay compensation to relatives of the victims at a higher level than is required by the letter of the law—although it is possible that the amounts offered may yet be tested in court. A more difficult issue is the corporate responsibility of P & O itself, as the holding company at the time the ship capsized.

Recently purchased

This responsibility cannot be abrogated on the ground that European Ferries was so recently purchased P & O became responsible for the lives of Townsend Thoresen passengers at the moment it became the owner of European Ferries.

There are three levels of authority here, involving the crewmen on the ship, the directors and senior managers of the subsidiary who were responsible for laying down safety procedures and ensuring that they were carried out, and the parent company. In the light of the verdict at the inquest it is for the Director of Public Prosecutions to decide what further action, if any, should be taken at any of these three levels. But it is both morally right and sound business sense for the parent company to acknowledge its responsibility not only for compensating the victims, but for the managerial and operational errors which led to the accident.

THE BOARDROOMS of the world's farm machinery makers have not been happy places in recent years. The decline in the market for tractors and other equipment has proved more dramatic than that experienced by almost any other industry—leaving machine makers in a decidedly gloomy mood.

Last year was the tenth successive year of shrinking demand. Tractor sales in the west fell 13 per cent—a far worse figure than expected—while sales in North America dropped to little more than half the level of the late 1970s. Western Europe fared equally badly.

Now, at last, the agricultural machinery business is getting a breather. The large markets of the west have stabilised and sales are expected to be only marginally lower this year than last.

Massey-Ferguson, the farm machinery arm of the Canadian Varsity Corporation and the world's biggest tractor producer, is forecasting a western world market for tractors of about 605,000 units in 1987, representing only a modest decline from last year's 611,000. But the 1985 figure of 682,000 is still well out of reach and no one is yet predicting that the market has bottomed out. Nonetheless, this year has come as a relief to Massey and the four other big manufacturers—Ford, New Holland, John Deere and JI Case of the US, and Fiat of Italy—as well as to the smaller European suppliers of farm machinery.

The structure of the industry has changed fundamentally under the combined pressures of the US farm crisis, the Third World's liquidity problems and the uncertainties of the European Community's farming regime. The extent of the reorganisation in the industry—which has involved mergers, acquisitions and internal restructuring among the producers—is only beginning to emerge.

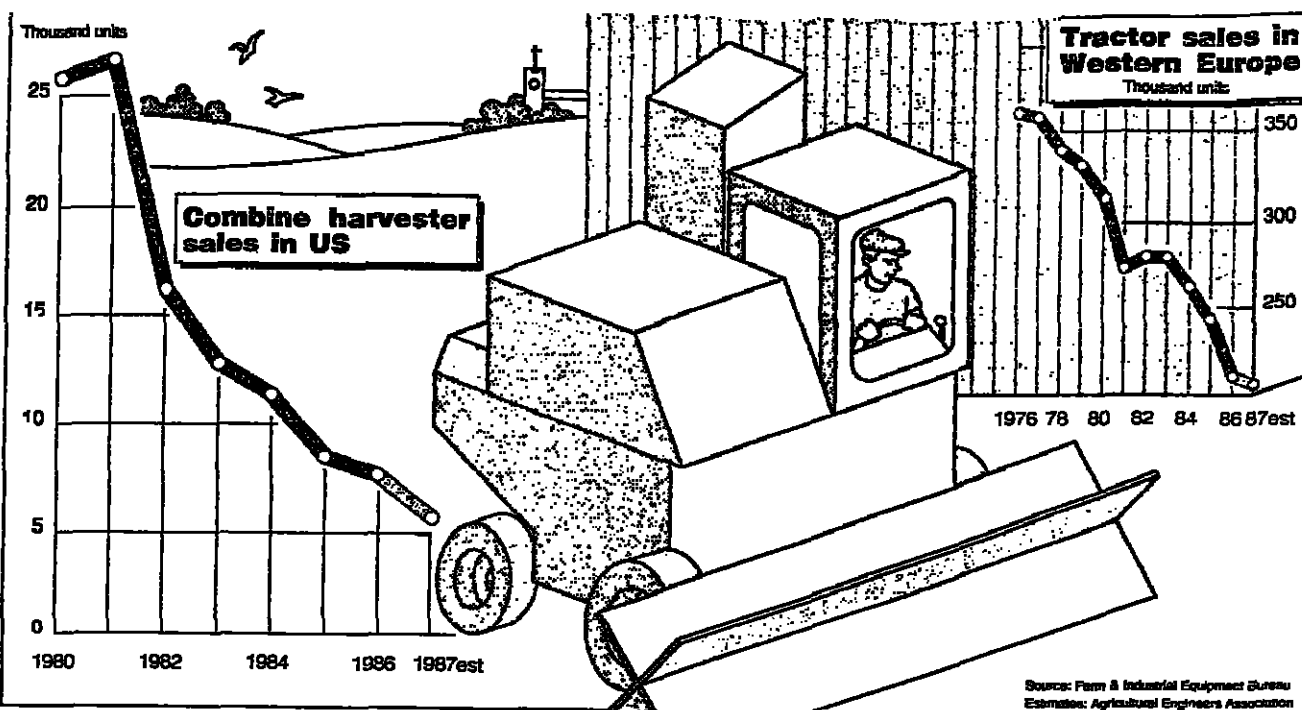
With rich corporate parents or indulgent governments to support them, hardly any have gone out of business. But with much of the farm machinery manufacturing sector still making a loss, few are feeling optimistic. Most are gearing up for many more years of bitter fighting for their share of a market which is expected to recover only sluggishly at best.

Several companies have reacted to the nightmare of overcapacity and low or non-existent margins by fleeing North America for lower-cost havens in Europe. Since the early 1980s, Ford, Case and Massey, for example, have either stopped making tractors in the US altogether or cut production there to a fraction of its former level.

Ford's decision last year to close its sole remaining US tractor plant at Romeo, Michigan, and move output to Basildon, Essex, nearly completes this process. Taking tractor production in North America and Europe as a whole, Europe accounted for 78 per cent of output in 1980, according to one industry estimate. By last year it had jumped to more than 90 per cent.

There are similarities between company strategies in the struggle to gain an edge on its competitors. Ford—the world's second largest tractor maker with a 12 per cent market share last year—decided that it could either bail out of the market altogether, or get in more deeply. In the absence of

WORLD AGRICULTURAL EQUIPMENT



Still stuck in the mud

By Nick Garnett

a suitable bidder for its business, it chose the latter course. Under president and now chairman Bob Moglia it has been digging in deeper and deeper. Its purchases from Sperry last year of New Holland, the harvesting equipment and combine manufacturer, put it on the road to being a full-line agricultural machinery maker. This was underscored this year with the acquisition of Versatile of Canada, taking Ford into the high horsepower, four-wheel-drive market for the first time.

The main aim of these purchases was to enable Ford to exploit dealership chains in geographic areas where it was weak. Like Ford, Case has become even more deeply committed to the farm supply business. It has done so through one huge acquisition by its parent, Tenneco—the \$489m (£288m) purchase of International Harvester's farm equipment operations three years ago. The purchase put Case into the world's top five with a market share in tractors of about 9 per cent.

In the past two years, Case's strategy has been to engage in some of the fiercest price discounting seen in the industry in an attempt to retain market share while carrying through a major rationalisation programme. The aim is to achieve a decisive cost advantage over its competitors.

"The idea is to keep the heat on everyone else in this

business," says Mr Dick Seagrave, vice president for Case's farm and construction machinery production in Europe.

The company's commitment to the business was further underlined this year when it acquired Steiger of the US, giving it, like Ford, a range of large-horsepower four-wheel-drive tractors. Massey, which had an 18 per cent share of world tractor sales last year—and which was for many years the archetypal global, full-time producer—has taken the opposite tack. It has been shedding business and outsourcing an increasing amount of its non-tractor farm equipment.

Most strikingly, it is now buying in all combines for its European customers from a Danish supplier. And while Varsity has formed a new company making combines in Canada for the North American market, it has a minority shareholding in the concern.

John Deere, with just over 10 per cent of worldwide tractor sales, has adopted a different strategy again. It has forged increasingly close links with Japanese producers, in particular Yanmar which provides Deere with a full range of small tractors, under 30hp.

Most major tractor makers have signed similar deals with the Japanese, but Deere has followed this strategy even more assiduously than the others, in a bid to defend its pre-eminence in the US market. This mar-

ket has swung violently away from big machines—as a result of depressed farm incomes—and towards compact tractors enjoying booming demand in horticulture and for the maintenance of golf courses, municipal parks and private gardens.

Out of 109,000 tractor sales in the US last year, 62,000 were machines of under 40 hp, according to the Farm and Industrial Equipment Bureau. Unlike the other North American producers, Deere has not fled his home. It has plants at Mannheim, West Germany and in France. But it has kept largely intact its production base in the Midwest.

"Deere has never had the same global view of the world as Massey," says one industry observer. "So long as its people in Europe turn in a reasonable performance it leaves them alone." Staying in the US carries a cost penalty. Labour rates are \$15 an hour at Deere's big plant in Moline, Illinois. Industry observers put total costs at nearer to \$25 an hour, but Deere says this figure is "a little on the high side." In the UK, labour costs are between a third and a half those in the US.

Deere's competitors are waiting for it to follow the drift to Europe. The company replies: "We do not close the door on any option but we have no plans for major changes." "We have positioned ourselves to be profitable at current levels of business."

Despite the changes, producers are still confronting grim-looking balance sheets. Massey, Ford and Deere will again make a loss this year, though Deere blames a first-quarter labour strike. Because of the astonishing resilience of the industry, there

has been virtually no change in relative shares of the world tractor market. Almost no one, save International Harvester, has quit the market. The only other well-known manufacturer to have withdrawn in recent years is Leyland in the UK.

European producers like Renault in France and Steyr in Austria have sustained their commitment through times of loss. As a result, the market remains crowded and some tractor plants are still working at half capacity. Industry observers are speculating over whether the true aim of Tenneco, and its chairman Jim Kautelen, is to create some elbow room in the market. "Why did they spend all that money buying International's business?" "Sure they are doing a great job lowering their cost base through rationalisation, but I think Case really wants to push someone right off the map. You have got to say that the intended victim is probably Massey."

Case is circumspect in its reply to such suggestions: "We are just getting on with the business of making ourselves the best and lowest cost manufacturer in the business." Mr John Borden, executive vice president for marketing at J. I. Case, said earlier this year.

Massey is suggested for the role of sacrificial lamb partly because of the gradual loss of the importance of agricultural machinery within the Varsity group. Varsity's purchase last year of Dayton Walther, an automotive and building industry supplier, reduced its dependence on agriculture to 55 per cent of corporate revenue, a point enthusiastically made in Varsity's last annual report.

Mr John Sward, Massey-Ferguson's new president, does not believe that Case is deliberately trying to wreck a competitor. "I would be surprised if that was Case's strategy. There are more corporate graveyards created by doing that than by just about anything else." He denies that Varsity is getting out of the business. "I think everyone will stay in the industry."

MOSCOW, OCTOBER 11

Gorbachev's sober influence

Chief among the changes Lenin would notice if he returned today to his home town of Ulyanovsk, other than that it is now named after him, is that you can buy drink on only three days a week, and then only for two hours in the morning between 10 and 12.

The partial prohibition on hard liquor, introduced by Mr Gorbachev in 1985 just after he became Soviet leader, is still probably the most effective of perestroika's restructuring efforts. It has had the most impact on everyday life.

It is now more difficult and expensive to drink yourself into a stupor. The death rate fell by 20 per cent in 1986 compared to the previous year and Gorbachev claims that 300,000 Russians are alive today because of the restrictions on buying alcohol.

More mysteriously, but also partly related to alcoholic consumption, a survey on how to improve the Soviet diet revealed that journalists and cooks have the shortest lifespan in the Soviet Union, and artists and priests the longest.



Men and Matters

Anecdotal evidence largely confirms that people are drinking less. One worker said that he is now named after him, is that you can buy drink on only three days a week, and then only for two hours in the morning between 10 and 12.

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Sound basis

One reason for supposing that Mr Gorbachev may succeed in his reconstruction drive is that Brezhnev is not a hard act to follow. A good example of this is the treatment of the seven million Soviet citizens who are deaf.

At present, there is exactly one special shop (in Moscow) for the sale and repair of hearing aids in the whole of the Soviet Union. If you live in the city of Irkutsk in Siberia you

will probably have to do without. The director of one kindergarten for deaf children in the city said that he had only 24 hearing aids for 85 children.

The reason for the shortage is simple enough: a shop which buys a hearing aid from one of the three factories which make them must pay 75 rubles (£7.5) but the price the customer pays is 35 rubles. Not surprisingly, shops have little desire to keep them in stock.

Once in possession of a hearing aid, a deaf person may not find that the troubles are over. One elderly woman, writing from an invalid home, complained recently that batteries for her aid were changed every six months and last three/four days.

Soviet writers and journalists still do not know the limits of glasnost (openness) but they have an interesting time finding out.

Roy Medvedev, the distinguished dissident historian who used to have two policemen camped on the staircase outside his apartment, was asked to write an article for Komsomolskaya Pravda earlier this year. His chosen topic was a notably unsympathetic account of the present condition of Gorbachev's daughter, the daughter of the late leader, now fallen on hard times after many years leading a notably bohemian life style while her father was in power.

Komsomolskaya Pravda balked at this, though Brezhnev's 18 years in power are now known simply as "the years of stagnation." Indeed, according to one Soviet magazine, letters and telegrams have been pouring into the Communist Party headquarters in the town of Brezhnev from inhabitants who demand that their town be allowed to revert to its former simple, but distinctive, name of Naberezhnye Chelny.

Moscow intelligentsia are

waiting to see if Nikolai Bukharin, the most famous of the old Bolsheviks executed by Stalin in 1938 after a show trial, will be rehabilitated to coincide with celebrations of the 70th anniversary of the 1917 revolution.

It seems likely he will. Bukharin, who once described himself as "the worst organiser in Russia," was never really a political alternative to Stalin but his name has become the symbol of a Communist Party which tolerates greater intellectual diversity.

Just how much diversity is still an open question. Intellectuals of an older generation on board the cruise ship Khrushchev thaw in 1964 have spasms of pessimism. Younger writers are much more optimistic.

A problem is that so many of the officials who flourished under Brezhnev's rule are still in business, though now noisily whistling a different tune. "Glasnost and perestroika introduced. Await further orders," one provincial party chief is said to have teleaxed Moscow.

Pan stir

The latest addition to the small number of reasonable restaurants in Moscow is the Riviera on board the cruise ship, Alexander Blok, moored to the north bank of the Moskva river opposite the Ukraina hotel, easily recognisable as one of the seven skyscrapers built by Stalin in Moscow.

All food, including the salad, is flown from Paris, all bills must be paid for in hard currency, and a bottle of Chateau Margaux costs 102 rubles (£102).

Two days after arriving in Moscow, Marc Trevoux, the manager, was last week still recovering from the shock of finding that the restaurant kitchen had been provided with only two saucepans, one of which had a large dent in the bottom.

Observer

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THERE HAS never been anything quite this big in San Mateo County, California.

This morning, on San Francisco Bay's southern shores, 64 attorneys will gather to begin the trial of the Rocky Mountain Arsenal case. The climax of one of the decade's most important insurance lawsuits, the trial will be a huge legal show-down between Lloyd's of London, the international insurance industry and Texas-based Shell Oil, part of the Royal Dutch/Shell group.

The case is of awesome complexity and its wider implications may be profound. Shell has sued about 280 insurance companies and Lloyd's syndicates, from which it bought insurance cover between the early 1950s and the late 1970s.

If Shell wins, its insurers may have to help pay for the clearance of hazardous chemical waste dumped on the Arsenal, a 27-square-mile site ten miles outside Denver, Colorado. Since 1969, until 1982 the US Army and Shell produced poison gas and pesticides. The clean-up could cost up to \$2.8bn (£1.75bn).

So many law firms are involved that the judge has sanctioned this usual courtroom in favour of a disused high school auditorium, rented for \$6,000 a month and big enough to hold 28 counsel tables.

Some US insurers, insurance analysts and Lloyd's underwriters are already fearful of the outcome of this and similar cases. If they lose, these insurers will face paying for the estimated 24,000 hazardous waste sites in the US could exceed the billions of dollars the industry has already paid out this decade to meet damages claims by asbestos victims.

The financial impact could be far worse, says Barbara Stewart, a New York insurance economist, because claims arising from asbestos are spread over many years.

"This is immediate," she says of the toxic waste problem. "There is an urgent need to clean up these sites."

The case has arisen because of the US Superfund law, which was passed in 1980 and renewed in 1986. It obliges industrial companies to pay for compulsory clean-ups of hazardous waste sites, and they are now seeking indemnification from their insurers. Shell, for instance, filed its suit in October 1983, after receiving a clean-up demand letter from the US Dept of Defense.

The Arsenal, which still has overall care of the site, is the focus of the American civil justice system—split between state district and 100 Federal court districts—means that nobody knows how much hazardous waste litigation there is. Philip Matthews, an attorney with Hancock, Rothert and Binstadt, a San Francisco law firm repre-

A legal battle over who pays for pollution damage begins in the US today. Nick Bunker reports

War of words over the wasteland

senting London underwriters in the Arsenal case, believes that six lawsuits have so far been filed against insurers in California alone.

A clear sign that the litigation is mounting came on May 8, when Westinghouse Electric sued more than 140 US and British insurers for the cost of cleaning 74 hazardous waste sites. So far, insurers are denying any liability for Superfund costs. "Westinghouse just further pointed out in European insurers' eyes the absurdity of the US legal system," says Mr Matthews.

At the heart of the legal debate over cases like Rocky Mountain Arsenal is a controversy over the meaning of insurance policy wordings used in the US since the 1940s.

Insurers say that the US insurance industry's standard comprehensive general liability (CGL) policy only covered pollution damages claims against a policyholder if the pollution was caused by an accident.

Lawyers for policyholders say all this is nonsense. The insurance industry is "rewriting history" to suit itself, says Eugene Anderson, a New York policyholders' attorney. His strategy in Superfund cases is to dig up internal insurance industry documents from the 1950s to prove that old CGL policies did cover pollution clean-up costs.

He also feels that policyholders can back up their argument by citing a recent San Francisco court ruling in which Judge Ira Brown used the drafting history of CGL policies

to expand widely the definition of insurers' liability to pay damages claims for asbestos victims.

In fact, though, the case law over Superfund claims is embryonic and conflicting. This summer, Federal Appellate judges in Richmond, Virginia, ruled in favour of the insurance industry in another Superfund case—but such legal precedents are not binding on state courts. "These are uncharted waters," says Judge William Lanham, the California Superior Court judge in the Arsenal trial.

In spite of the legal uncertainties, the Arsenal case still stands out for its sheer scale and symbolic value. And while Shell's primary insurer from 1948 to 1975 was Travelers Corporation, a leading US insurance company, Shell's "real target" is Lloyd's, says Mr Matthews.

The Arsenal began life soon after the Japanese attacked Pearl Harbour in 1941, as a mustard gas, then nerve gas. In 1952, Shell bought a company that was producing pesticides there.

By 1962, when Rachel Carson published her book *Silent Spring*—one of the founding documents of the US environmental movement—it was already becoming infamous. Near the Arsenal, she wrote, "foliage turned yellow, plants failed to mature, and many crops were killed outright. There were reports of human illness."

Officials in the Denver office of the US Environmental Protection Agency (EPA) now estimate that the Arsenal site contains 10m cubic yards of soil contaminated by chemical wastes. The EPA says so much



earth is affected that if one dump truck loaded up with soil every minute 24 hours a day, it would take 24 years to clear the place—though, of course, the operation is far more complicated than that.

At the heart of the Arsenal is Basin F, a shallow 65-acre pond. It is awash with 2m noxious-smelling gallons of rainwater and toxic chemicals, which seep through the earth into ground-

waters. The question of how far Shell was to blame for the pollution is, however, being decided in a separate Colorado action which has yet to come to trial. There the US Army is suing Shell.

Shell is suing the US Army and the state of Colorado is suing both of them for damaging natural resources.

Whatever the outcome, hazardous waste removal raises deeper questions in some minds. They concern the real scale of America's environmental pollution problem and, not least, the ability of traditional insurers to act as the nation's risk-carriers.

One side-effect of cases like Rocky Mountain Arsenal has been a drastic shrinkage in the amount of liability insurance available for pollution-prone industrial companies, says Bob Mason, an EPA official in Washington DC.

As of March 1987, only four US insurance companies would agree to be included on an EPA list of insurers willing to offer environmental impairment liability cover for operators of hazardous waste disposal sites. "The danger is that a lot of essential sites will just be forced out of business," says Mr Mason.

There are still question marks, too, over how many old

Lloyd's underwriters, including Sir Peter Green, Lloyd's of London's former chairman, Judge Lanham has had to read 90 files devoted to documents in the case, each one containing more than 500 pages. He says the trial may last between six months and a year.

There is a further complication, typical of Superfund cases. In San Mateo, Shell is simply asking for a declaratory judgment that its insurance policies did cover waste clean-up costs.

The question of how far Shell was to blame for the pollution is, however, being decided in a separate Colorado action which has yet to come to trial. There the US Army is suing Shell.

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There are still question marks, too, over how many old

sites need to be reclaimed and how big the bill will be—in spite of a decade of work by the EPA.

Public anxieties over the pollution threat posed by toxic waste were first aroused in the late 1970s by cases like Love Canal, in upstate New York, where a community had to be evacuated after years of hazardous waste dumping had contaminated ground-water.

The Superfund law was the chief Federal response. It empowered the EPA to clean up hazardous waste sites with the help of a fund now set at \$8.5bn, financed mainly by taxes on petrochemical production, and then to recover the money from "potential responsible parties" such as Shell or Westinghouse.

Already the EPA has 1,000 sites on a national priority list of locations scheduled for urgent Superfund clean-up, but it says the number may ultimately double, with an average cost of \$8m each. However, the EPA's figures have been disputed by the US congressional Office of Technology Assessment, which says eventually there may be 10,000 sites on the priority list costing perhaps \$100bn to reclaim.

Some of the EPA's worst fears for the future—shared, perhaps, by some in the insurance industry—were highlighted at the Butler Tunnel in Pennsylvania. Russell Train, a former EPA administrator, says officials believed leakage had stopped from the tunnel, which drained abandoned coal mines.

Then, during floods, contaminated waste spilled into a nearby river. "Haunting Superfund is the nightmare of spending millions to clean a site, then discovering the clean-up is far from permanent," says Mr Train.

There are still question marks, too, over how many old

Lombard

How to rate the universities

By Michael Dixon

MINISTERS could easily win applause in the year when the UK's educational expenditure first overtook spending on defence. Every repetition of the news was guaranteed loud cheering. Although education's ledger was slender—£2.5bn against defence's £2.25bn—it was spoken of as "a landmark in the nation's civilised progress."

Nobody seemed to question why the country should congratulate itself merely for spending so much money. In the late 1980s, it was regarded as self-evident that outlay on education must produce an ample return.

Two decades on, with the outlay running at over £16bn a year, the mood has changed with a vengeance. The Government has enshrined "value for money" as a condition of educational institutions' public funding. Even the universities will no longer be paid just for being there. All elements of the state education service will be expected not only to deliver a worthwhile return but to show that they do so. As a result, the development of so-called performance indicators is now a hot topic at every level of education.

The Government evidently sets particular importance on the provision of such indicators for universities and polytechnics. A White Paper published in April said that both types of institution must do more to assure the public of their value. Establishing yardsticks for polytechnics would be a priority job for the new council funding the polys after their removal from local authority control. In the universities' case, the Committee of Vice-Chancellors and Principals were proposing to publish indicators such as staff/student ratios and of effectiveness in terms, for example, of the occupations taken up by students after graduation.

Many university dons nonetheless resist the idea that appropriate performance measures can be devised for their institutions—as the Financial Times knows full well. Since 1973 we have printed an annual table ranking universities by the percentage of their new bachelor-level graduates who

were not employed six months after taking their degree. The ranking, which is compiled from officially published information, has never failed to draw protests from academics on numerous and varied grounds.

One frequent objection is that graduates' success in the employment market depends partly on ungovernable factors, and it is wrong to measure universities by criteria subject to influences beyond their control. The same sad state of affairs applies to the criteria by which companies are judged. Why should higher educational institutions be exempt from similar treatment? Another criticism is that published figures on which the table is based are not audited, and so almost certainly contain discrepancies. While that is true, the job-market performance of graduates reflects important factors in education they have received. The fact that the institutions choose to avoid auditing costs is no reason for ignoring the evidence on hand.

There is, however, a further criticism which cannot be gainsaid. It is that although a university with a large proportion of engineers among its graduates will inevitably have a better employment record than one more concentrated on the arts, the ranking makes no allowance for differences in subject-mix. Nevertheless, that deficiency can hardly be blamed on the FT. The detailed data needed to make the necessary adjustments is not published. While it is stored in the Universities' Statistical Record, it is available only to its legal owners—the institutions themselves.

Even the Secretary of State for Education and Science is apparently unable to obtain it without the permission of the authorities of every university in the land. He is better placed with regard to the equivalent data about polytechnics' graduates, enjoying joint ownership of it with the polys, but he may not pass it to outsiders unless the institutions' chiefs all agree. In short, despite the Government's avowed commitment to accountability in education, it is powerless to allow the public—who pay for such relevant information to be collected and stored—any access to it at all.

The Japan problem

From Mr W. Gibson-Knight

Sir—The answers to Mr Moorhouse's questions (October 5) and the understanding of Mr Wolfe's understanding can be seen by anyone with a clear awareness of how the world economy as a whole works, as distinct from those whose awareness is blinkered by some narrow producer's interest.

As for "Japan's trading practices," the 70 per cent-plus rise in Hong Kong's exports to Japan this year suggests that it may not be so much Japan's trading practices that hold back EC exports to Japan as our own.

Wade Gibson-Knight, 107 Denbigh Road, E10.

Letters to the Editor

notably Hong Kong and to a substantial, though less complete, extent Singapore and Malaysia, have welcomed imports and exports. Freeing of trade within the EC seems to have benefited all its members, and helped generate the taxable prosperity to support large sales for MEAs.

As for "Japan's trading practices," the 70 per cent-plus rise in Hong Kong's exports to Japan this year suggests that it may not be so much Japan's trading practices that hold back EC exports to Japan as our own.

Wade Gibson-Knight, 107 Denbigh Road, E10.

World debt crisis

From Mr M. Shane and Mr D. Stallings

Sir—We want to comment on the interpretation of our report (September 22) by Nancy Dunne. "The world debt crisis and its resolution." We feel that article misrepresents our views on at least three points.

We do not "implicitly (or otherwise) criticise the case-by-case rescheduling by which the debt crisis has been managed."

Indeed, any sort of reduction in developing country debt must proceed on a case-by-case basis.

We do not express or imply that the US government should be the instrument of forgiveness. Our emphasis is on the worldwide dimension of the problem. We point to the global shock administered by the Third World debt crisis and analyse the implications of its persistence. All of us, as consumers and producers, must bear part of the burden.

A misquotation significantly alters the meaning of our report. You state "dramatically different solutions... may well be considered," while the original reads "dramatically different solutions... may well be worth considering." The former implies acceptance, the latter is an invitation for consideration only. The difference is crucial when considering the function of our agency (and of the economics profession in general), which is the provision of information relevant to the current world situation without specifically recommending policy actions.

It is our view that the Third World debt problem is a major constraint to world trade and growth. Its resolution should be given serious attention, not only in the United States, but by governments and world

institutions everywhere. Matthew Shane. David Stallings. Agriculture and Trade Analysis Division, US Department of Agriculture, Washington DC 20005-4788.

A dangerous basket

From Mr D. Franklin

Sir—Regarding the use of a commodity basket as an anchor for the proposed international managed exchange rate system, Samuel Brittan avers (October 5) that "it should be possible to distinguish between underlying trends in the terms of trade of commodity producers and inflationary or deflationary deviations." But how one is to distinguish these conditions is not easy to see. At present, indeed, the rise in commodity prices which appears to be exciting the inflation fears of bond markets and some central banks, could well be read as a very necessary improvement in commodity producers' terms of trade; a mechanised tightening of policy could smother the nascent world recovery, reverse the commodity price rise and exacerbate the LDC debt problem.

One lesson surely to be derived from the unhappy history of monetary targeting is that one ought to eschew the official targeting of intermediate objectives. The explicit constraints on global macro economic policy must be on the one hand to prevent nominal demand from growing too slowly, and on the other to prevent consumer prices from rising too rapidly. A host of indicators, including monetary growth and commodity prices, can be used as guides to incipient inflationary and deflationary pressures, but policy co-ordinators should concentrate on agreeing a ceiling for inflation and a floor for nominal demand, rather than attaching spurious and dangerous importance to individual guide variables.

Donald Franklin (Chief Economist), Schroder Investment Management, 36 Old Jewry, EC2.

Exchange rates

From Mr K. Gardiner

Sir—I think Samuel Brittan is mistaken when he argues (October 5) that the loss of faith in governments' ability to spend their way into higher growth is a factor which works

in favour of fixed exchange rates. The textbooks associate the real importance of the authorities with arguments in favour of floating rates... and anyway, aren't current difficulties the result of the US authorities' being too successful in promoting growth?

I am a little puzzled, too, by his insistence that "balance of payments deficits are now seen to be rooted in the gap between domestic savings and investment." They have been for some time, not because of any shift in analytical world-view but simply by virtue of arithmetic: the current account imbalance is definitionally equal to the savings/investment gap. The issue at stake in recent and prospective negotiations over the appropriate levels of exchange rates is not the accounting label which is to be attached to particular imbalances, but rather the manner in which those imbalances are to be reduced.

In an open international economy, appropriate exchange rates will (eventually) change with the relative economic performance of the countries concerned: attempts to avoid this by pinning rates to a particular item pole—in the form of a specific monetary aggregate or a fixed weight of gold—are likely to be frustrated (as we have seen in the past). The attempted return to a fixed, commodity-based currency standard advocated by Samuel Brittan would throw more of the burden of adjustment onto interest rates than need be the case. And his suggestion that it is an easy matter to distinguish "underlying trends" in commodity prices from "inflationary and deflationary deviations" might not do much support amongst the many neoclassical economists who misread so spectacularly the first OPEC shock.

Kevin Gardiner (Economist) Warbury Securities, 1 Finsbury Avenue, EC2

Samuel Brittan writes: Mr Gardiner has obviously overlooked a full explanation of savings, investment and the balance of payments in my article in the World Economy survey of September 28.

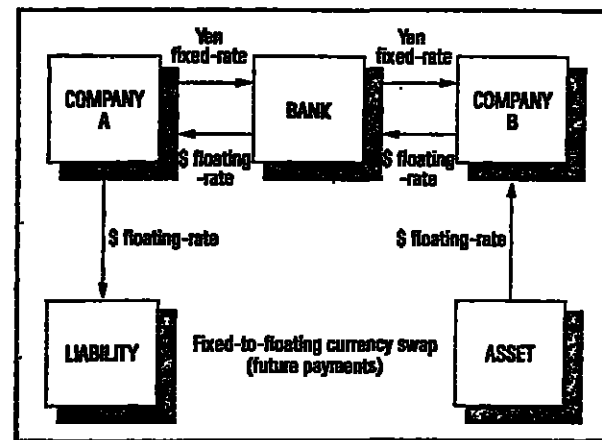
Misguided chivalry?

From Mr R. Ware

Sir—If the secretary of Mr Bosworth and the wife of Mr Knight (October 2 and 7) have grievances, why do these gentlemen feel it necessary to express them on the ladies' behalf? Is it chivalry? Doubtless misguided, since your readers will surely not take them any less seriously if expressed in their own name.

R. G. Ware, 59 High Street, Frestonwood, Great Missenden, Bucks.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday October 12 1987

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INTERNATIONAL BONDS

Convertible sector boosted by Bell Resources

BY CLARE PEARSON IN LONDON

THE SMOOTH launch of the ingenious "jumbo" convertible bond for Mr Robert Holmes & Court's Bell Resources has provided a further fillip to the now booming convertible sector of the market. But what is it for the investors?

The issue, led by Merrill Lynch Capital Markets, worth more than A\$1bn, and denominated in US and Australian dollars and sterling, is convertible into part of Bell's 28 per cent stake in Broken Hill Proprietary, or the cash equivalent of the shares.

Although some of the management group evidently had problems placing especially the US dollar tranche, Merrill said on Friday that it had itself placed what it called a "massive" amount of the issue. The dollar tranche was trading within its fees while those denominated in Australian dollars and sterling were changing hands at above their par issue prices.

So the underwriters have made

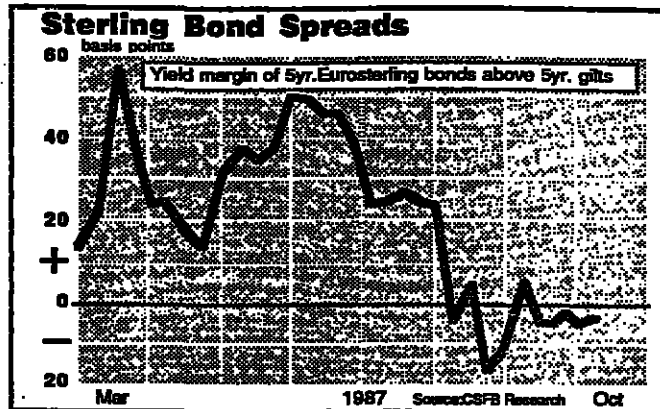
money and the borrower has both obtained stable cheap funding, while also realising the value of an existing investment without necessarily having to sell it.

The issue went well, but did raise some eyebrows. One banker commented: "It's quite clear the underlying shares are a far better investment. I think it's a stroke of genius for merchant bankers to persuade people to take up this paper."

The basic appeal of convertibles is that they have attractions both for equity and bond investors - which is why issues as large as this can be absorbed.

Investors who would otherwise buy the underlying shares get an equity play plus capital protection (since the bond cannot be redeemed at less than they paid for it) and, usually, an income higher than on the shares.

Meanwhile, if the bond includes a put option - as the Bell issue does - fixed income investors get an in-



strument which will pay them a yield roughly equivalent to that on a government security of the same maturity in that currency, and an equity play as well.

But the structure - really a pack-

age of trade-offs between its different elements - works best where investors can be comfortable about taking a long-term view of the equity underlying the bond rather than the near-term focus created by bid

speculation on a company such as BHP.

If Mr Holmes & Court or somebody else bids for BHP in the near term, the conversion premium of between 18 and 22 per cent will prevent investors from participating fully in the near-term capital gain, since the price rise on the bond tends to lag that on the shares in such cases, some bankers say.

The premium in any case looks high at an indicated 18 to 22 per cent, given the appreciation that has already occurred in BHP's share price. And it will take investors three years to recover this premium from the income on the bond: a standard "pay-back" period, but perhaps not when the action in the stock is so likely to occur fairly soon.

If, on the other hand, the shares fail to perform, investors are worse off in one respect than if they had invested directly in the equity. This is because the marketability of the

bond is likely to be worse than that of the shares in BHP, the largest Australian company.

They can, of course, sell it back to the issuer after five or six years, but this will be at a price to give a yield well below what he would normally have expected on a fixed rate bond issued by Bell Resources.

In fact, the offering in itself jeopardises the share price performance since it could involve Bell Resources selling nearly 5 per cent of BHP's shares, and so dulling bid speculation - though analysts did not interpret the bond issue as a sign that Bell's interest in BHP was diminished.

This was partly because Bell Resources can choose to pay the cash equivalent instead of shares. Though investors can use the cash to buy BHP's shares, they risk not being able to get them at the same price, in addition to suffering time delays and dealing charges.

Bonn acts to allay foreign fears over withholding tax

BY HAIG SIMONIAN

"FOREIGNERS have nothing to fear," said a West German finance ministry official yesterday, some two days after the turmoil in the country's financial markets which left bond prices reeling and trading screens blank at most banks by mid-afternoon on Friday.

The confusion created by the rumour, now a reality, of a 10 per cent German withholding tax on most savings and investments from 1989, left foreign investors totally puzzled.

It is now clear that the new tax will not affect D-Mark Eurobonds, which will continue to enjoy the tax-free status they have had since coupon tax was abolished in April 1984.

What will be affected, however, are German government fixed-interest securities. Foreigners have been particularly keen buyers of Bundesrepublik in recent years, taking up to 80 to 90 per cent of new issues at times, according to some estimates.

The new tax is bound to affect

those purchases. Although foreign investors can apply to have the tax repaid, it will still create an extra burden, and for some even an unwelcome hint of disclosure.

No wonder that so many investors decided to sell on Friday, with prices falling by 1.20 to 1.30 on the bourse. However, Frankfurt dealers say there were signs of both larger long and short positions, suggesting that the market had become quite a casino. "Some people stand to lose a great deal of money, and some to make it," said one senior Eurobanker.

This morning promises either further signs of panic, or a recovery as cooler heads prevail. What is certain is that the financial whiz-kids have already been working overtime to look into the arbitrage opportunities now created.

Most striking are the implications for the very active cross-currency swap business, usually booked out of London, where DM exposures are hedged against German government paper.

INTERNATIONAL CREDITS

Borrowers from Britain continue to keep the bankers busy

BY ALEXANDER NICOLL IN LONDON

BRITISH borrowers are continuing to keep bankers in the Eurocredit market busy. Many UK companies have reorganised their banking arrangements into multiple option facilities this year, and the flow of mandates has yet to dry up.

Tesco, the supermarkets chain, was among last week's new mandates. It asked Midland Montagu to arrange a £200m tender panel facility of which £150m will be committed. The five-year standby carries a margin of 7.5 basis points above London interbank offered rates, with facility fees of 5 and 3.5 basis points respectively on the "available" and "reserve" portions. The borrower will pay a 3.5 basis point

fee if the standby is more than half drawn.

Woolwich Building Society has mandated Credit Suisse First Boston for a £200m committed standby and a £200m uncommitted facility. With a commitment fee of 0.25 basis points, the five-year standby carries a margin of 13.75 basis points over Libor.

Eagle Star Insurance, a subsidiary of BAT Industries, is seeking a £150m credit, of which £110m will be committed, through County NatWest. The five-year facility, extendable each year, has a 10 basis point margin and underwriting fees of 7.5 basis points on available amounts and 5 on unavailable, with a utilisation

fee of 5 basis points above 50 per cent usage.

Barclays de Zoete Wedd has been mandated by Hammerson Property Investment and Development Corporation for a £100m revolving standby to back the company's commercial paper programme.

Elsewhere, Credit Foncier of France is said to be seeking bids for a \$200m to \$300m loan with a relatively short maturity. The mandate is likely to be hotly contested and terms will be watched closely.

Swiss Bank Corporation International brought two new deals and is also likely to increase a \$400m three-year credit for Primera following oversubscription.

Dow Corning, jointly owned by Dow Chemical and Corning Glass of the US, mandated SBCI for a \$150m five-year credit. The margin over Libor is 18.75 basis points and the commitment fee 7.5 basis points, with a 5 basis point fee for more than 50 per cent usage.

Merloni Elettrodomestici, an Italian white goods maker, asked SBCI to arrange a \$60m five-year credit to be made available through Banco di Sicilia's London branch. It has a margin of 18.75 basis points, a commitment fee of 10 basis points and a utilisation fee of 0.25 basis points if it is more than half used, with front-end fees of 10 basis points for \$5m commitments.

Bank of America International has been mandated by NM Home Loans, a subsidiary of National Mutual Life Association of Australasia, to arrange a \$100m portfolio insured mortgage syndicated facility. It will be backed by insurance against losses on NM Home Loans' residential mortgage portfolio. Interest will be 20 basis points above Libor for the first five years and 25 basis points for the remaining two, with the borrower paying liquid asset requirements up to 0.25 basis points. Commitment fees range from 3.125 to 5 basis points, and front-end fees from 5 to 7.5 basis points.

Merrill Lynch increased a stand-

by for Swedbank from \$100m to \$150m following oversubscription.

Among new short-term programmes, Banco Toscana, a Florence-based bank and Italy's 11th largest, appointed Midland Montagu Commercial Paper to arrange a \$150m Euro-certificate of deposit programme with Chase Investment Bank, Saudi International Bank and UBS (Securities) as additional lenders.

Royal Insurance, one of the more active users of the sterling commercial paper market, has expanded its programme from \$50m to \$150m and kept BZW and SG Warburg as dealers.

Bankinter places £60m share parcel

By Our Euromarkets Correspondent

A PARCEL of shares worth about £60m (\$98m) in Bankinter, a Spanish full-service bank, was placed internationally last week by Warburg Securities.

About two thirds of the shares placed represented a 5 per cent stake in Bankinter which had been held by Bank of America but was recently bought by a Bankinter subsidiary. The remaining shares were also held within the Bankinter group.

EUROMARKET TURNOVER					
Turnover (\$m)					
Primary Market	Strait	Conv	FRN	Other	
US\$	480.2	287.1	93.8	5,858.2	
£m	3,962.3	2,317.8	754.4	47,270.5	
Other	1,215.8	5.0	271.7	370.1	
FRW	1,205.7	2.0	352.7	501.9	
Secondary Market					
US\$	24,081.2	2,301.9	11,322.3	5,582.9	
£m	194,638.6	18,451.1	9,071.4	44,877.3	
Other	19,882.9	1,084.1	5,658.1	14,588.4	
FRW	19,871.3	1,213.9	6,558.4	12,345.1	
Week to October 5 1987 Source: AGD					

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Salomon Brothers may drop municipal bond operations

Ford to buy San Francisco leasing group

Irving acts to thwart Bank of New York

Chapelle-Darblay suffers further financial setback

Burlington Northern 27% ahead

The dividend was raised to 55 cents from 50 cents.

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Holmen MD joins PKbanken

As recently as May, Mr Zetterberg - with the backing of Holmen's main shareholders - repudiated an approach from MoDo on the grounds that a merger would mean no advantage.

The 45-year-old Holmen chief

● Persfors, the Swedish specialty chemicals and plastics group, lifted profits strongly in its latest year and as a result placed a bid for MoDo.

After financial items, profits for the year to August rose 41

18 per cent to SKr245m, electronics (up 15 per cent to SKr600m), and biotechnology (up 16 per cent to SKr250m).

MoDo has been strengthening its business areas via acquisitions.

New Issue
October, 1987

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

The retreat turns into a rout

JUST ABOUT everything that could go wrong with the US credit markets last week. Short-term interest rates rose to highs for the year, the banks gratefully lifted prime rates and new offerings of four-year and seven-year government notes fell beneath their issue prices.

The longer maturities fared only a little better, with the 30-year Treasury bond yielding more than 10 per cent for the first time in two years. By Friday, most of the market was bracing itself for a rise in the discount rate.

The US bond markets have been in retreat for the best part of this year, but last week the retreat turned into a rout. Oddly, the loss of nerve had little to do with the market's trading in the discount window from under \$600m to at least \$800m, and possibly to \$700m.

The dollar slipped a bit against the yen and the D-Mark, as the foreign exchange mar-

kets began to wonder about next week's figures on the trade deficit. The index of commodity prices, which has returned to vogue thanks to the attentions of Mr James Baker, the US Treasury Secretary, ticked upwards.

But even in a market almost wholly taken over by bears, these modest setbacks should scarcely knock more than two points off the Treasury 30-year bond, which was yielding a bargain 9.93 per cent by the week-end.

What troubled everybody was evidence that the Federal Reserve is tightening its monetary policy once again. The market believes that the Fed has raised its target for borrowings at the discount window from under \$600m to at least \$800m, and possibly to \$700m.

At the same time, the Fed has permitted the rate for federal funds - at which banks lend to

one another overnight - to climb into a range around 7 1/2 per cent, which is where the market expects it to stay. In contrast, Fed funds were trading at 6 1/2 per cent at the beginning of the year.

The effect on money market certificates of deposit jumped 70 basis points to 8.60 per cent. In the Treasury market, investors scrambled for the very short end, restricting the rise in three-month bill yields to 11 basis points at 6.75 per cent. But the six-month bill added 47 basis points of yield to 7.32 per cent, while the new notes both added about 20 basis points to their yield at issue.

At the long end, the rise in 30-year yields would certainly have been greater but for the prospect of a technical shortage in these maturities arising from the congressional ceiling on government debt. Even the stock market took a dive, with the Dow Average falling a record 6 per cent in the week. After all, who is going to buy stocks yielding 2.5 per cent with bond yields pushing double figures?

If the Fed was trying to curb inflationary expectations in the US, it was overdoing things. As Mr Philip Braverman of Irving Securities points out, bond yields last week were rising for fear not of inflation but of Fed firming. "In this respect, the Fed is like a dog chasing its own tail," he says.

But the Fed's actions were all but forced by the tightening of monetary policy abroad. In West Germany, the Bundesbank increased the rate at which it repurchases securities from the banking system to 3.75 per cent while there were rumours of an impending rise in the Japanese discount rate. Dollar rates just had to move up so as to keep attracting foreign buyers into the currency.

The West German and Japanese authorities are trying to rein in money supply which, in Japan at least, has contributed to rampant speculation in property and stocks. Part of the excess money growth may be traced back to heavy intervention from Tokyo and Frankfurt to support the dollar earlier this year. Now that the dollar is a little stronger, these countries are sending belated invoices in the form of higher yen and D-Mark rates.

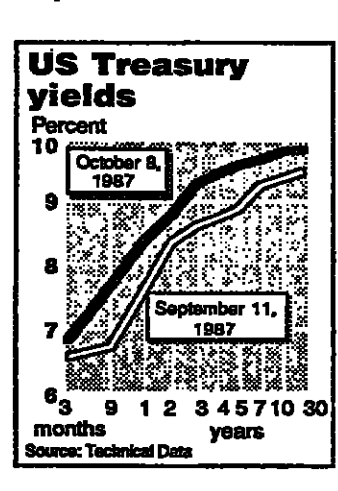
This is a new dilemma for the US credit markets. It now seems

that a steady dollar can send US yields higher just as effectively as a weak dollar. Those hoping that good news on the trade deficit this week will rescue the credit markets may have to think again.

The following are the economic statistics due for release this week, along with market forecasts surveyed by Money Market Services of Redwood City, California:

● Merchandise trade balance in August, due at 8.30am on Wednesday. The market expects an improvement in the trade deficit from July's preliminary \$18.5bn to \$14.5bn. The 47 economists surveyed ranged in their forecasts from \$15.5bn to \$13.1bn.

● Retail sales for September, due at the same time. These are expected to decline by 0.5 per cent after an increase of 1.3 per cent in August. However, the expectations range from an increase of 1 per cent to a decline of 1 per cent.



● Producer prices in September (8.30am Friday). The consensus estimate is for an increase of 0.3 per cent last month after a flat August. The range extends from 0.1 per cent to 0.8 per cent.

● Industrial production in September (8.30am Friday). The market expects an increase of 0.2 per cent after a preliminary 0.3 per cent in August. Forecasts range from a decline of 0.2 per cent to a rise of 0.7 per cent.

James Buchan

UK GILTS

Buyers not tempted by 10% yields

CENTRAL BANKING is ultimately about tactics. But as major bond markets continue to slide in response to rising inflationary expectations, central bankers appear neither confident nor unanimous over how they should respond.

The depressing international backdrop to the gilt-edged market was evident again last week. Investors took their cue from the tightening in West German monetary policy and the rise in US prime rates rather than from the, admittedly predictable, euphoria at the Conservative Party conference.

Sterling's strength, and the growing perception that there will be ample scope next year for both tax cuts and a lower borrowing target meant that gilt-edged fared much better than most.

But predictions of further rate rises to come in the US, Japan and West Germany left few analysts persuaded that yields of more than 10 per cent on long-dated gilts represented an instant opportunity.

Whether bond markets in general are right to be so gloomy about inflation is another question. The turnaround in expectations since the spring has been remarkable.

Even discounting the sharp fall on Friday caused by reports of a planned withholding tax, the yield on 10-year West German bonds has risen from around 5.7 per in April to close to 7 per cent now. The comparable figures for Japanese yields are 3 per cent and 5.8 per cent; and for US 8.2 and 9.8 per cent.

The jump in US yields is understandable. Despite the burst of optimism which followed September's meeting of the International Monetary Fund, there is widespread agreement that overseas investors will be reluctant to finance the twin US deficits at current exchange rates and yields.

The fine print of the latest US deficit-reduction bill suggests that further cuts in the budget deficit will be far from easy. In parallel, most central banks accept that propping up the dollar indefinitely with massive intervention is not a viable option.

But if the case for a widening of the rates differential between the US and elsewhere is relatively strong, it is hard to fully explain the more general unease.

The sharp rise in commodity prices over the last year - The Economist index shows an SDR index of 18 per cent in SDR terms - provides a partial an-

swer. So also does the perception that by locking themselves into semi-fixed exchange rates, Japan and West Germany have eroded their ability to disassociate themselves from higher US inflation.

The fact that it is the US and the UK - high-inflation countries - which have been most vocal in their dismissals of market concerns does not help.

That said, it is easy to sympathise with the prevailing official view that bond markets have over-reacted. The upturn in recorded inflation rates is in part merely an arithmetical consequence of the fact that the impact of last year's oil price collapse is now falling out of annual price comparisons. If other commodity prices have been rising, they are still depressed when measured against the average level of the last few years.

The IMF forecasts that the average inflation rate of the Group of Seven nations will edge up to 3.5 per cent in 1988 from 3 per cent this year, hardly suggesting a need to press the inflation panic button - particularly since real interest rates remain at historically high levels.

That, however, does not make the need for a concerted central bank approach any less crucial. The Bundesbank has so far responded with a gradual policy tightening and the Bank of Japan may soon do the same. Mr James Baker's comments on Friday suggest that, despite his anxiety over growth rates outside the US, he is not entirely without sympathy for such tactics.

The danger is that small administered upward moves in short-term rates will exacerbate rather than dampen inflationary concerns. The markets may read them not as a signal of central bank resolution but as an endorsement of their own concerns.

Rate rises outside the US may also weaken the political backing for a pre-emptive move by the Federal Reserve. It is not easy for the Fed to push up its rates if that looks like triggering another round of increases elsewhere.

As Mr Baker acknowledged, there is a lot of inflationary psychology around - reversing it without risking a recession will need rather more co-operation among central banks than has so far been in evidence.

Philip Stephens

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR	Yield	12-month	30-year
30-year Treasury	10.00	10.00	10.00
20-year Treasury	9.75	9.75	9.75
10-year Treasury	9.50	9.50	9.50
Three-month Treasury bill	7.25	7.25	7.25
Three-month prime CD	8.50	8.50	8.50
Three-month prime bank	8.75	8.75	8.75
90-day Commercial Paper	8.25	8.25	8.25

US BOND PRICES AND YIELDS (%)	1 week	4 wk
Seven-year Treasury	9.75	9.45
10-year Treasury	9.50	9.25
20-year Treasury	9.75	9.50
30-year Treasury	10.00	9.75
New 10-year "A" Finance	9.50	9.25
New 20-year "A" Finance	9.75	9.50
New "AA" Local Authority	11.15	10.80
New "AA" Local Authority	11.15	10.80

FT/AIBD INTERNATIONAL BOND SERVICE	1 week	4 wk
Seven-year Treasury	9.75	9.45
10-year Treasury	9.50	9.25
20-year Treasury	9.75	9.50
30-year Treasury	10.00	9.75
New 10-year "A" Finance	9.50	9.25
New 20-year "A" Finance	9.75	9.50
New "AA" Local Authority	11.15	10.80
New "AA" Local Authority	11.15	10.80

FT/AIBD INTERNATIONAL BOND SERVICE	1 week	4 wk
Seven-year Treasury	9.75	9.45
10-year Treasury	9.50	9.25
20-year Treasury	9.75	9.50
30-year Treasury	10.00	9.75
New 10-year "A" Finance	9.50	9.25
New 20-year "A" Finance	9.75	9.50
New "AA" Local Authority	11.15	10.80
New "AA" Local Authority	11.15	10.80

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

New Issue/September 23, 1987

500 Shares Series A
500 Shares Series B

MEPC Capital Corp.

Dutch Auction Rate Transferable Securities™ Preferred Stock
Series A and Series B DARTS™
Liquidation Preference \$100,000 Per Share

The dividend rate on the Dutch Auction Rate Transferable Securities™ Preferred Stock, Series A for the initial Dividend Period will be 5.50% per annum. The dividend rate on the Dutch Auction Rate Transferable Securities™ Preferred Stock, Series B for the initial Dividend Period will be 5.55% per annum. The Dividend Payment Date for the initial Dividend Period for the Series A DARTS is November 23, 1987 and for the Series B DARTS is December 14, 1987.

The Company expects that \$88 million of its initial assets will consist of Credit Supported Affiliated Mortgage Notes backed by Notes of Credit, which initially will consist of irrevocable direct-pay letters of credit issued by:

National Westminster Bank PLC, New York Branch.

Price \$100,000 per share and accumulated dividends, if any, from Date of Original Issue

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

Salomon Brothers Inc

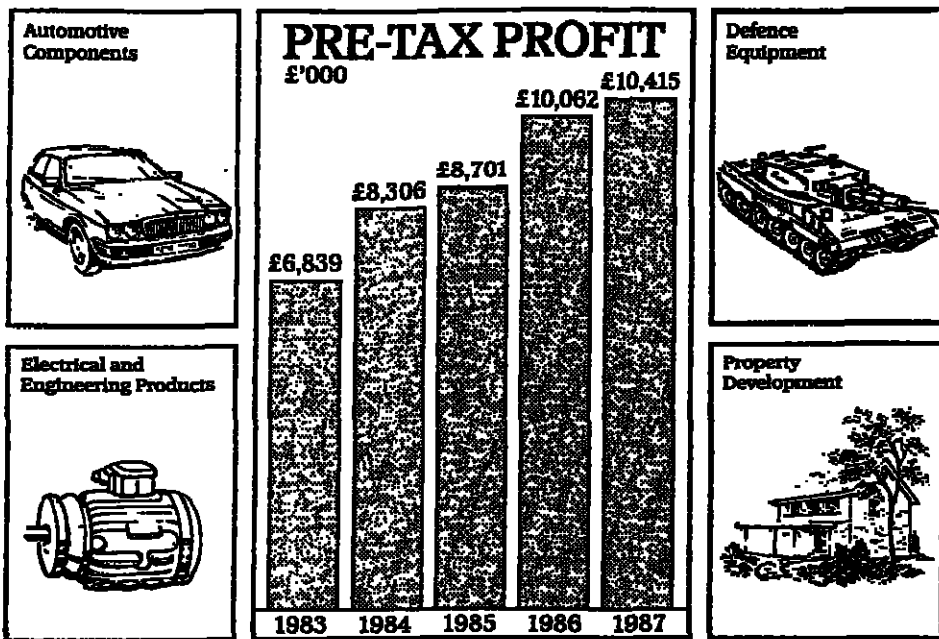
Goldman, Sachs & Co.

Morgan Stanley & Co.

Shearson Lehman Brothers Inc.

Adwest Group

Restructuring contributes to future profitability of the Group



Preliminary Results 1987

Mr F.V. Waller, Chairman, looks to the future with confidence.

★ Turnover of continuing operations increased from £72.6 million to £88.6 million - up 22%.

★ Pre-tax profit of continuing businesses up from £10.0 million to £11.0 million - up 10%.

★ Total dividend of 9.4p (1986: 8.53p) - up 10.2%.

“Assisted by the benefits of restructuring, we look to the future with confidence. Our property income is set to grow. In our manufacturing companies the level of orders has increased and almost all their budgets indicate an improved year.”

Copies of the Annual Report, containing the Chairman's Statement in full, are available from: The Secretary, Adwest Group p.l.c., Reading RG5 4SN.

Adwest Group

AUTOMOTIVE COMPONENTS, DEFENCE EQUIPMENT, ELECTRICAL AND ENGINEERING PRODUCTS, PROPERTY DEVELOPMENT

UK COMPANY NEWS

United Newspapers sells retail chain for £27m

BY PHILIP COGGAN

United Newspapers, is selling its retail newspaper chain, United News Shops, to the management for £27m in cash. A buyout consortium has been set up to acquire UNS, which has 240 outlets concentrated mainly in the north and east of the UK.

The sell-off comes just a fortnight after Mr Rupert Murdoch's News Corporation bought into the newspaper business by taking a one-third share in Forster, a company especially established to buy the Martins chain from Guinness for £202m.

Until the News Corp deal, United had been the only na-

tional newspaper publisher to own such a chain. But United's £27m purchase of Extel in June caused "a rethink of strategy" according to Sir Gordon Linacre, the group's chief executive.

"We could have gone on expanding the news-shops and spending more and more money," added Sir Gordon "but we felt that such resources would have been better spent developing our core businesses". As part of the policy of disposing of peripheral operations, United earlier this month announced the sale of Burrows Printing Group, previously part of Extel, to St Ives for £45m, despite the

presence of a rival offer from a management buyout team.

Sir Gordon said that three or four groups, other than the management, had expressed interest in acquiring UNS but the buyout was the only fully-fledged offer on the table. UNS, which was formed in 1978 when United merged two regional chains, made pre-tax profits of £1.8m in 1986. Its net assets, including properties, are valued at £6.6m.

Citicorp Venture Capital is backing the buyout, with Charterhouse Development Capital and Standard Chartered also believed to be investors.

Wood Mackenzie sale likely

BY CLIVE WOLMAN

THE leading securities firm Wood Mackenzie is likely to be sold within the next two weeks at a price of between £50m and £60m, possibly to a US purchaser.

Mr John Chiene, Wood Mackenzie's former senior partner, has received approaches from several US institutions including the New York commercial bank Morgan Guaranty Trust, which is aiming to build up an investment banking and securities presence outside the US.

Another possible purchaser is Morgan Grenfell, the UK merchant bank, which has already indicated its interest in acquiring a broking firm with strong

research and securities distribution skills to strengthen its securities operations.

Mr Chiene originally suggested that no deal was likely to be concluded before November but negotiations have advanced more quickly than anticipated.

Wood Mackenzie has been excluded from the deal concluded 10 days ago by which its owner, the merchant bank Hill Samuel, is to be acquired by the TSB banking group for a sum of £77m. Wood Mackenzie, an Edinburgh firm, which has established itself as one of the leading research houses in the UK companies over the last 15 years, was acquired by Hill Samuel in two stages, three

years and 18 months ago, for a price of £20m.

The resale price for Wood Mackenzie now being offered by potential purchasers, together with the £50m for which Alexander Laing and Cruickshank was sold in August to Credit Lyonnais, indicates a steadily rising premium for the larger UK securities firms. This is despite the intense competition and squeezing of profits in the industry since last October's Big Bang reforms and the management and operational weaknesses of many firms which have been exposed by the recent backlog of unsettled bargains.

Scottish TV advances to £2.6m at six months

ALTHOUGH THE growth in advertising revenue has slowed down from the high levels of recent years, Scottish Television expects profits for the current year to show a satisfactory increase over 1986 figures.

The ITV contractor reported a 25 per cent increase in interim pre-tax profits to £2.6m (£2.1m) for the six months to June 30. This was achieved on a turnover up 10 per cent at £37.4m. Earnings per share were up from 13.8p to 15.3p and the board has recommended an interim dividend of 3.5p (3p). Sales of advertising increased

slightly from the 1986 level of £31.9m to £33.9m, and sales of programmes and services rose from £2.1m to £2.6m.

Despite the slight reduction in the company's share of revenue, which was predicted last year, prospects for advertising expenditure in the central Scottish market are good. Sir Campbell Fraser, chairman, said diversification plans had moved ahead with the creation of Holyrood, a subsidiary which is seeking and developing new business opportunities in the United States.

M Brown denies split in boardroom

The board of Matthew Brown, the brewery currently the subject of a third hostile bid within two-and-a-half years from Scottish & Newcastle Breweries, yesterday issued a statement denying newspaper reports of a boardroom split.

The company said that the directors remained united in their determination to fight off S & N for the third time. "Our defence strategy is unanimously agreed and in place" said Mr Trevor Green, assistant managing director.

Matthew Brown plans to produce its defence document this week. The offer from S & N, which holds a 29.7 per cent stake accumulated in the course of its earlier bids, is three of its shares for every one in Matthew Brown, with a cash alternative of 750p.

ASDA-MFI sale

The sale of ASDA-MFI to ASDA-MFI, which was announced before the end of the month, a spokesman for the company said yesterday. Allied's management, which submitted a buyout bid of around £120m, is currently believed to have a strong chance of beating off opposing offers.

Last week, ASDA-MFI agreed the sale of the MFI furniture retail chain to its management in a £500m buyout. MFI is also buying Hygena, the privately-owned kitchen and bedroom maker as part of the deal.

Wagon expansion

Wagon Industrial Holdings, which has interests in material handling, storage, office equipment, engineering, has bought Radford of Bristol, manufacturer of refrigeration systems for supermarkets, for £4.25m.

The purchase is to be paid for with £2.5m in cash and £1.75m through the issue of 390,625 ordinary shares in Wagon. Additional payments totalling a maximum of £2.5m may be made over the next few years, subject to increasing profit levels at Radford.

Tubular for USM

Tubular Exhibitions, which manufactures exhibition stands and crush barriers for crowd control, is to join the Unlisted Securities Market. A placing by Cleves Investments will value the company at around £10m.

IN BRIEF

HIGHLAND Participants, the oil company traded under Rule 336 G, which is acquiring fully-listed Applodora and then joining the Unlisted Securities Market, recorded a pre-tax loss of £160,000 in the six months to June 30, against a £242,000 profit in last year's first half.

PARK FOOD has agreed to sell its Millstone fresh convenience foods business to a subsidiary of PA Manufacturing for a minimum consideration of £554,000.

BROOKER TOOL Engineering (Holdings) has acquired the business assets of the tap and die distribution division of L.E.A. Net consideration is £413,000 for the assets satisfied by cash and a deferred consideration up to £75,000 payable after one year's trading.

UCL GROUP is to pay up to £2m for the privately owned, Coventry-based Computer Factors, which last year made a pre-tax profit of £146,000 on a turnover of £4.4m. Consideration will be £1.5m in ordinary shares and a deferred consideration of up to £500,000 depending upon the level of pre-tax profit of Computer Factors for 1987.

AUDIO FIDELITY Acquisition of McKenzie Acoustics for £250,000, payable as to £45,000 on completion and £50,000 two years later.

FT offered stake in Canadian venture

BY RAYMOND SNOODY

The Financial Times has been offered a stake in a joint venture to create Canada's first financial and business daily from early next year.

The offer was made in London last Thursday to Mr Frank Barlow, Financial Times chief executive, by Mr Douglas Creighton, president of Toronto Sun Publishing.

The latter announced earlier this month that it had bought the weekly Financial Post from Maclean Hunter for C\$46m (£35.2m) in shares. Maclean Hunter owns 57.3 per cent of Toronto Sun Publishing.

The Financial Times is believed to be seriously interested in joining the venture although the issue has still to be considered by the board of Pearson, the information, banking and china group which owns the FT. Informal talks have taken place over the past few months.

Apart from Toronto Sun Publishing, which will hold a majority stake in the venture, and Maclean Hunter, Mr Conrad Black, the Canadian newspaper pub-

lisher who holds the controlling interest in the Daily Telegraph, is also likely to participate.

Mr Creighton has said Mr Black has already expressed great interest in the venture and "if he can have it". The new paper will be distributed nationally although the full thrust of distribution will be in Toronto.

The offer of a minority stake for the FT comes on the heels of Mr Rupert Murdoch's purchase of a 14.7 per cent interest in Pearson, and criticism that the company may not have moved quickly enough to exploit fully international opportunities for the FT.

At the moment the FT has an exclusive syndication deal for its articles in Canada with the Thomson paper, the Globe and Mail and its Report on Business section. A possible FT stake in the new daily could lead to that contract being reviewed although in most countries the paper is quite happy to do non-exclusive deals with competing publications.

Sumrie accounts show parlous financial state

BY PHILIP COGGAN

THE ANNUAL report and accounts of Sumrie Clothing shows that the retailer group is in a parlous financial state.

In August, Master Financial Services and City & Westminster Financial acquired a 28.6 per cent stake and boardroom control of the company. Mr Michael Hepler, the former tax lawyer and his associate Mr Meir Spangin resigned from the board.

Mr David Sinclair, the new chairman, says in the new annual report that the company is still not trading profitably, although the directors are confident that it will shortly do so.

In the year to March 28, the company incurred a retained loss of £179,000. That pushed the cumulative profit and loss account for the company into a debit of £107,000.

As a result, the company's net assets were just £263,000 at the balance sheet date - that is equal to under 10p per share, less than the shares' par value of 20p. The current share price is 170p and the high for the year was 220p.

The amount falling due to creditors for the year is £1.1m - including a loan of £242,000 from Retiro, a company with which Mr Hepler is associated. Retiro has said it will not call for repayment of the loan before July 24, 1988.

Price Waterhouse, the auditors, notes that the accounts have been prepared on a going concern basis as the directors believe that the present facilities will be adequate to enable the group to continue its operations.

BP turnout totals 6m

BY LUCY KELLAWAY

JUST OVER six million people registered with the British Petroleum information office by the end of the day on Friday, securing for themselves a minimum guaranteed allocation of 2350 of BP shares.

The turnout is well short of the 7.5m who registered for the £5.6m British Gas sale last year. Dave Rogerson, the ad-

vertising and public relations group supervising the marketing of the £7.5m share sale said yesterday that the figure was 1m more than it had expected at the outset of the campaign.

It said that potential investors were continuing to register with the information office, even though they were no longer eligible for a guaranteed allocation.

Increased profits from Avis Europe

Interim Report for the half-year ended 31 August 1987

- Turnover £146,746,000 - up 27%
- Pre-tax profits £25,205,000 - up 53%
- Earnings per share 12.0p - up 26%
- Interim dividend of 3.8p per ordinary share

"Results for the first six months, which include our peak trading period, show an encouraging increase. We look forward to continuing growth in the second half and are confident that the full year's results will show satisfactory improvement."

Alun Cathcart, Chief Executive

Avis Europe plc RESULTS FOR THE HALF-YEAR ended 31 August 1987 (unaudited)	Six months ended 31 Aug 1987	Six months ended 31 Aug 1986	Year ended 28 Feb 1987
	£m	£m	£m
Turnover	146.7	115.2	235.0
Profit before taxation	25.2	16.5	34.1
Profit after taxation and minorities	13.7	9.3	19.0
Earnings per share	12.0p	9.5p	18.4p

The abridged profit and loss account for the year ended 28 February 1987 is an extract from the latest published accounts which have been delivered to the Registrar of Companies; the audit report for these accounts was unqualified.

Copies of the full Interim Report are available from The Secretary, Avis Europe plc, Avis House, Station Road, Bracknell, Berkshire RG12 1HZ.



We try harder

OPERATING IN 61 COUNTRIES THROUGHOUT EUROPE, AFRICA AND MIDDLE EAST.

Making leisure pay is hard work but a pleasure.

THE BRENT WALKER GROUP PLC and subsidiary companies			
Financial Highlights (for half year ended 12th July, 1987)			
	1987 £000's	1986 £000's	
Turnover	22,677	14,197	28
Operating profit	7,799	4,072	135
Profit on ordinary activities before taxation	7,472	3,276	
Retained profit	4,108	1,876	
Earnings per ordinary share	12.96p	7.09p	

The Group has again produced record interim results and made major strides in its expansion programme.

Turnover has increased 60%. Pretax profit has increased by 128%. Interim dividend is increased to 3p. Trading in our established businesses has increased over last year.

Our recent acquisition at Le Touquet has passed all our expectations.

The results of the Metropole Casino

Division are already showing the beneficial effects of our management. The Trocadero acquisition gives us substantial development potential as well as many retail and leisure opportunities.

For your copy of the interim report please write to: The Company Secretary, The Brent Walker Group PLC, Knightsbridge House, 197 Knightsbridge, London SW7 1RB.

It will be a pleasure to send it to you.

THE BRENT WALKER GROUP
WORKING FOR PLEASURE

FINANCIAL TIMES STOCK INDICES

	Oct. 9	Oct. 8	Oct. 7	Oct. 6	Oct. 5	Oct. 2	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.49	85.48	85.45	85.74	85.86	85.45	93.32	84.49	127.4	49.18
Fixed Interest	92.20	91.86	91.90	91.88	91.76	91.64	99.12	90.23	150.4	50.33
Ordinary	1858.2	1866.9	1853.5	1858.3	1873.7	1831.6	1926.1	1320.2	1926.2	49.4
Gold Mines	449.5	445.8	450.4	444.6	439.6	467.1	497.5	388.2	734.7	43.5
FT-Adm. Share	1216.26	1218.65	1210.30	1213.82	1222.12	1221.32	1258.57	895.48	1238.57	61.92
FT-SE 100	2366.51	2375.51	2359.51	2367.9	2385.51	2362.2	2443.41	1674.5	2443.41	98.9

UK COMPANY NEWS

Sykes-Pickavant
to join the USM

BY DAVID WALLER

Sykes-Pickavant Group, maker of hand tools which has its origins in the 1920s as a supplier of accessories and components for the Model T Ford, is planning to join the Unlisted Securities Market early next month.

The flotation will take the form of a placing to be handled by Albert E. Sharp, the Birmingham-based stockbroker, giving the company a market capitalisation of between £10 and £12m at the placing price.

Mr Paul Mindelsohn, the company's chairman, said that it had doubled its turnover in the last five years - in part through cash acquisitions - and felt that it would grow faster in future by being able to make acquisitions for shares.

Sykes-Pickavant's turnover has more than doubled in the last five years, from £5.2m in

1982 to £11.6m last year. Pre-tax profits have risen from £774,000 to £1.4m over the same period.

Based in Lancashire, the company sells a range of some 800 tools for the automotive and industrial hardware industries. Under the Speedline and Vitrex brand names, it also sells a range of tools which are sold primarily in the retail DIY market.

It has approximately 2400 customers and derives a fifth of its sales from sales overseas to 60 countries.

The company will be raising some new money and intends to have a float of 20 per cent of the enlarged equity. It will back the issue with an forecast of dividend and profits for the current year, giving it a yield of 5.6 per cent at the placing price.

Mount Charlotte buying
eight hotels for £18.7m

BY DINA MEDLAND

Mount Charlotte Investments, the hotel chain, has agreed to acquire Stonefield Castle Hotels' option to buy eight hotels in Scotland and two in the north of England from Ladbroke group for £18.65m.

The company holding the hotels has been renamed Castle Ross Hotels, and will be wholly owned by Mount Charlotte.

Mount Charlotte intends to separate the Mercury Hotel Fort William and the Mercury Hotel Inverness from the remaining eight. Mr Peter Ross, a director of Castle Ross Hotels and former chairman of Norscot Hotels is to be put in charge of

getting these ready for a flotation on the Unlisted Securities Market.

Arrangements for the flotation are expected to take three months, Mount Charlotte said. The company expects to retain a minority stake in Castle Ross Hotels.

Mount Charlotte has had an acquisitive year - in April it bought London Park hotels for a £27m net consideration, and in July three hotels from International Leisure Group for £100m, consolidating its position as the UK's second largest hotel chain operator.

Bremner agrees Robson terms

BY DINA MEDLAND

Bremner has agreed in principle on the terms for the purchase of regional stockbrokers Robson Cotterell, the company announced.

Carswell, the Glasgow stockbroker, was injected into Bremner, then a shell company, in July as part of a plan to build up a broadly-based financial services business. Carswell's pre-tax profits were £280,000 for the year to April 24.

The purchase will be at a multiple of Robson Cotterell's pre-tax profits, which exceeded

£400,000 in the year ended May 31. The directors said it will be satisfied by the issue of shares at 115p, while further payments will be based on a profit formula.

PERKIN-ELMER (scientific analytical instruments and software maker) pre-tax profits £8.61m (£7.67m) for year to June 30 on turnover of £43.9m (£42m). Tax £3.2m (£3.3m). Ultimate holding company in Perkin-Elmer Corporation of the US.

Bolton
House has
near 15%
of BMT

SHARES in Business Mortgage Trust, a commercial mortgage company, rose 20p to 115p on Friday after it said Bolton House Securities, an over-the-counter issuing house, had acquired a 14.66 per cent stake.

Bolton is chaired by Mr Andrew Millar, who is also the chairman of the Benlox group which has launched a bid for Storehouse, the retail group.

Mr Jim Perry, managing director, said that Bolton had bought the shares from Mr Brian Peachey, BMT's chairman. He viewed the stake as an investment and there were no plans for a bid.

Mr Andrew Davison, BMT chief executive, said he thought the two companies could work well together. At yesterday's close BMT was capitalised at more than £20m.

Automated Security

Automated Security (Holdings), the electronic security group, has increased its stake in Security Tag Systems, the US company, to 28.4 per cent.

ASSTI subscribed for 1.54m new shares at £2.17 per share and Security Tag will use the proceeds to fund its development.

When Mr Michael Langdon was a partner at Price Waterhouse, the accounting firm, he decided that some of his clients were not well served.

While helping fast-growing companies prepare for flotation on the USM, getting their accounts straightened out and advising them, he was unable as the independent accountant to back his advice with financial support.

Issue houses were more than happy to take the companies public quickly. Yet Mr Langdon felt that was not necessarily the best route, and the institutional support for alternative approaches was not always available.

Rutland Trust is Mr Langdon's answer. Known until recently as Kellock Trust, whose factoring interests were recently sold to the Bank of Scotland, Rutland is the shell that Mr Langdon has headed since the start of the year, after a capital injection by the London & Edinburgh Trust, about a year ago, when LET acquired 45 per cent of Kellock.

Rutland is now quickly acquiring structure as a financial services group with an embryonic corporate finance team working out of the central office.

The logic of the group is simple. Rutland is building through acquisition a network of regional insurance brokers, men in close touch with local businesses, to act as the eyes and ears for the group.

Steven Butler looks at the strategy behind Rutland Trust

Simple logic that can bring reward

"What I want in them is an intelligence system to get to the clients and sell them corporate finance," says Mr Langdon.

That is to be provided in part by Rutland's growing asset-backed finance division, which recently acquired Technology Group, the equipment leasing company. Rutland is also prepared to put in direct equity backing in the form of minor stakes, and to arrange for development capital from outside sources, along with the whole range of fancy paper issues - deferred convertible preference shares or loan notes.

The aim of these schemes is in part to enable entrepreneurs to hang on to their companies for a longer period so they can realise more for businesses when they finally float.

In addition to the corporate finance-related divisions, Rutland also has a professional services division which includes a loss adjusting firm acquired earlier this year. Mr Langdon, with his experience at Price Waterhouse, believes he knows what makes professionals tick and that he can keep them highly motivated.

The fee-earning professionals provide a convenient, steady cash flow that is unlikely to fluctuate in the same cycles as the rest of the business.

But as Mr Langdon believes better means to keep control of their companies, he is putting his own group together with the same principles in mind, and

this has led to an unusual structure of group ownership.

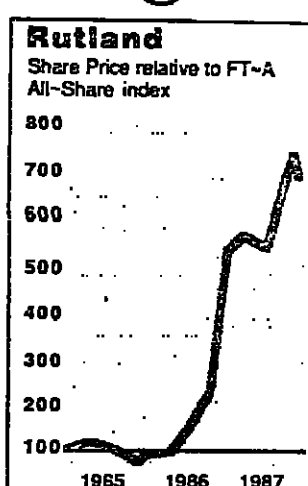
"The days of the independent insurance broker aren't dead," he says. "These guys don't want to sell out. What they want is more things to sell and a backer."

And the wider range of products can include personal pension plans, mortgages, or any other sort of financial service to wealthy individuals or businesses - once the client relationship is established.

Some of Rutland's acquired insurance brokers have turned down much larger cash offers from the big national insurance companies to accept less valuable Rutland paper and the chance to keep, at least for the time being, a 25 per cent stake in their own business.

Rutland acquires firms of insurance brokers or loss adjusters by a formula according to which it buys the outstanding 25 per cent in five or ten years, depending on the age of those involved. The price of the outstanding shares will be equal to a 25 per cent discount on Rutland's average historic price to earnings ratio in the previous two years, times the earnings of the acquired company over the same period.

If a subsidiary manages to maintain a 25 per cent compound annual growth rate for five years, the 25 per cent stake could at the end of the day be worth more than the original 75 per cent stake, assuming that Rutland falls back from its current



rent rather fantastic prospective multiples to something around 20.

The scheme potentially provides strong incentives to subsidiaries to grow the business, while guaranteeing that Rutland can acquire the outstanding shares at a discount to its own p/e, thus keeping Rutland shareholders happy.

Interestingly, Mr Langdon does not consider acquisition of the final 25 per cent to be the end of the day, and would entertain other schemes so that subsidiaries could retain a degree of independence and management ownership. One possibility, he speculates, is that the insurance broking subsidiaries form

a single company and seek a separate listing, in which Rutland would maintain the major stake.

The flexibility in his attitude toward these subsidiaries reflects his main interest. While the profits from subsidiaries and related companies are important, in the end the companies are there to support the central office corporate finance business.

That is now headed by Mr Christopher Dowling, who came over from BZW, the securities arm of Barclays Bank. The team was recently expanded by two recruits, and could grow to include six to eight finance specialists over the next year.

With the heady prospective multiples in Rutland's share price - roughly in the forties for the current year, dropping to the high twenties for next year - it is easy to forget that investors are backing a concept that has yet to be tested. Confidence is boosted by the large LET stake, and even a personal holding by Mr John Gunn, the British and Commonwealth chairman.

Apart from the organic expansion of its subsidiaries, part of Rutland's growth - at least initially - can come from it buying in companies at a discount to its own highly-rated paper.

Mr Langdon is betting that there are many small British businesses which would want to use Rutland's services. But the company's growth would quickly taper off if the synergies he visualises do not materialise.

BOOK NOW
FOR YOUR BP PROSPECTUS.

There's still time to reserve a prospectus for the BP Share Offer if you phone 0272 272 272.

Alternatively, after October 20th, you can pick up a prospectus and application form from your local bank,

Post Office or BP service station. Or look out for them in national newspapers.

The BP Share Offer opens on Tuesday, October 20th. And you'll have until 10.00am on

October 28th to buy the Government's remaining shares in BP on the special Offer terms.

These include a minimum investment of around £250 payable in three instalments. And, if you're eligible,

you'll also receive one bonus share for every 10 shares you are allocated in the Offer and hold on to for three years - up to a maximum of 150 bonus shares.

So book now.

BRITAIN'S BIGGEST SHARE OFFER.



BE PART OF IT.

Issued by NM Rothschild & Sons Limited on behalf of HM Government.

US\$100,000,000
Republic of Portugal

Floating Rate Notes Due 1992

In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from 9th October, 1987, to 11th April, 1988, the Notes will carry an Interest Rate of 9% per annum and the Coupon Amount per US\$10,000 will be US\$462.50.

Merrill Lynch International Bank Limited
Agent Bank

Notice of Redemption
Svenska Handelsbanken

U.S. \$100,000,000 13% Notes due 17th November, 1990

NOTICE IS HEREBY GIVEN that in accordance with clause 5(b) of the Terms and Conditions of the Notes, the Bank will redeem all of the Notes at 101% of the principal amount on 17th November, 1987, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation of the Notes with all unmatured coupons attached at the main Offices of any one of (1) Bankers Trust Company in London, (2) Bankers Trust Company in Paris, (3) Bankers Trust Company in Frankfurt am Main, (4) Bankers Trust A.G. in Zurich, (5) Bankers Trust Company in New York, (6) Banque Indosuez Belgique in Brussels, (7) Banque Indosuez Luxembourg in Luxembourg, (8) Svenska Handelsbanken S.A. in Luxembourg and (9) Swiss Bank Corporation in Basle.

Accrued interest due 17th November, 1987 will be paid in the normal manner against presentation of Coupon No 5, on or after 17th November, 1987.

Bankers Trust
Company, London
12th October, 1987

Agent Bank

£200,000,000



Nationwide
Anglia
Building
Society

Floating Rate Notes Due 1995

Interest Rate	10 5/16% per annum
Interest Period	8th October 1987 8th January 1988
Interest Amount per £5,000 Note due 8th January 1988	£128.61

Credit Suisse First Boston Limited
Agent Bank

Notice of Partial Repayment

U.S. \$175,000,000

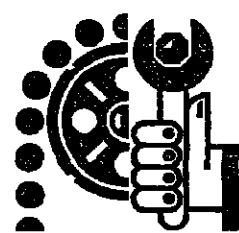
Floating Rate Certificates Due 1990
Payable solely from the proceeds of a Loan made toIstituto per lo Sviluppo Economico
dell'Italia Meridionale

NOTICE IS HEREBY GIVEN that pursuant to the terms of the Loan Agreement of the Certificates, U.S. \$48,610,000 principal amount has been drawn for mandatory partial repayment at their principal amounts, together with accrued interest, on 12th November, 1987 (the "Redemption Date"), when interest on the Certificates will cease to accrue.

The serial numbers of the Certificates drawn for the mandatory partial repayment are as follows:

1	650	1354	1987	2579	3194	3612	4421	4987	5993	6329	6839	7550	8151	8778	9414	10051	10704	11343	11993	12623	13204	13858	14414	15042	15645	16259	16898
2	661	1365	1991	2581	3207	3613	4422	4997	5997	6331	6841	7552	8153	8779	9415	10052	10705	11344	11994	12624	13205	13859	14415	15043	15646	16260	16900
3	672	1376	1992	2583	3212	3618	4427	5004	5998	6333	6842	7553	8154	8780	9416	10053	10706	11345	11995	12625	13206	13860	14416	15044	15647	16261	16901
4	683	1387	1993	2585	3217	3619	4432	5005	5999	6334	6843	7554	8155	8781	9417	10054	10707	11346	11996	12626	13207	13861	14417	15045	15648	16262	16902
5	694	1398	1994	2587	3222	3620	4437	5006	6000	6335	6844	7555	8156	8782	9418	10055	10708	11347	11997	12627	13208	13862	14418	15046	15649	16263	16903
6	705	1409	1995	2589	3227	3621	4442	5007	6001	6336	6845	7556	8157	8783	9419	10056	10709	11348	11998	12628	13209	13863	14419	15047	15650	16264	16904
7	716	1420	1996	2591	3232	3622	4447	5008	6002	6337	6846	7557	8158	8784	9420	10057	10710	11349	11999	12629	13210	13864	14420	15048	15651	16265	16905
8	727	1431	1997	2593	3237	3623	4452	5009	6003	6338	6847	7558	8159	8785	9421	10058	10711	11350	12000	12630	13211	13865	14421	15049	15652	16266	16906
9	738	1442	1998	2595	3242	3624	4457	5010	6004	6339	6848	7559	8160	8786	9422	10059	10712	11351	12001	12631	13212	13866	14422	15050	15653	16267	16907
10	749	1453	1999	2597	3247	3625	4462	5011	6005	6340	6849	7560	8161	8787	9423	10060	10713	11352	12002	12632	13213	13867	14423	15051	15654	16268	16908
11	760	1464	2000	2599	3252	3626	4467	5012	6006	6341	6850	7561	8162	8788	9424	10061	10714	11353	12003	12633	13214	13868	14424	15052	15655	16269	16909
12	771	1475	2001	2601	3257	3627	4472	5013	6007	6342	6851	7562	8163	8789	9425	10062	10715	11354	12004	12634	13215	13869	14425	15053	15656	16270	16910
13	782	1486	2002	2603	3262	3628	4477	5014	6008	6343	6852	7563	8164	8790	9426	10063	10716	11355	12005	12635	13216	13870	14426	15054	15657	16271	16911
14	793	1497	2003	2605	3267	3629	4482	5015	6009	6344	6853	7564	8165	8791	9427	10064	10717	11356	12006	12636	13217	13871	14427	15055	15658	16272	16912
15	804	1508	2004	2607	3272	3630	4487	5016	6010	6345	6854	7565	8166	8792	9428	10065	10718	11357	12007	12637	13218	13872	14428	15056	15659	16273	16913
16	815	1519	2005	2609	3277	3631	4492	5017	6011	6346	6855	7566	8167	8793	9429	10066	10719	11358	12008	12638	13219	13873	14429	15057	15660	16274	16914
17	826	1530	2006	2611	3282	3632	4497	5018	6012	6347	6856	7567	8168	8794	9430	10067	10720	11359	12009	12639	13220	13874	14430	15058	15661	16275	16915
18	837	1541	2007	2613	3287	3633	4502	5019	6013	6348	6857	7568	8169	8795	9431	10068	10721	11360	12010	12640	13221	13875	14431	15059	15662	16276	16916
19	848	1552	2008	2615	3292	3634	4507	5020	6014	6349	6858	7569	8170	8796	9432	10069	10722	11361	12011	12641	13222	13876	14432	15060	15663	16277	16917
20	859	1563	2009	2617	3297	3635	4512	5021	6015	6350	6859	7570	8171	8797	9433	10070	10723	11362	12012	12642	13223	13877	14433	15061	15664	16278	16918
21	870	1574	2010	2619	3302	3636	4517	5022	6016	6351	6860	7571	8172	8798	9434	10071	10724	11363	12013	12643	13224	13878	14434	15062	15665	16279	16919
22	881	1585	2011	2621	3307	3637	4522	5023	6017	6352	6861	7572	8173	8799	9435	10072	10725	11364	12014	12644	13225	13879	14435	15063	15666	16280	16920
23	892	1596	2012	2623	3312	3638	4527	5024	6018	6353	6862	7573	8174	8800	9436	10073	10726	11365	12015	12645	13226	13880	14436	15064	15667	16281	16921
24	903	1607	2013	2625	3317	3639	4532	5025	6019	6354	6863	7574	8175	8801	9437	10074	10727	11366	12016	12646	13227	13881	14437	15065	15668	16282	16922
25	914	1618	2014	2627	3322	3640	4537	5026	6020	6355	6864	7575	8176	8802	9438	10075	10728	11367	12017	12647	13228	13882	14438	15066	15669	16283	16923
26	925	1629	2015	2629	3327	3641	4542	5027	6021	6356	6865	7576	8177	8803	9439	10076	10729	11368	12018	12648	13229	13883	14439	15067	15670	16284	16924
27	936	1640	2016	2631	3332	3642	4547	5028	6022	6357	6866	7577	8178	8804	9440	10077	10730	11369	12019	12649	13230	13884	14440	15068	15671	16285	16925
28	947	1651	2017	2633	3337	3643	4552	5029	6023	6358	6867	7578	8179	8805	9441	10078	10731	11370	12020	12650	13231	13885	14441	15069	15672	16286	16926
29	958	1662	2018	2635	3342	3644	4557	5030	6024	6359	6868	7579	8180	8806	9442	10079	10732	11371	12021	12651	13232	13886	14442	15070	15673	16287	16927
30	969	1673	2019	2637	3347	3645	4562	5031	6025	6360	6869	7580	8181	8807	9443	10080	10733	11372	12022	12652	13233	13887	14443	15071	15674	16288	16928
31	980	1684	2020	2639	3352	3646	4567	5032	6026	6361	6870	7581	8182	8808	9444	10081	10734	11373	12023	12653	13234	13888	14444	15072	15675	16289	16929
32	991	1695	2021	2641	3357	3647	4572	5033	6027	6362	6871	7582	8183	8809	9445	10082	10735	11374	12024	12654	13235	13889	14445	15073	15676	16290	16930
33	1002	1706	2022	2643	3362	3648	4577	5034	6028	6363	6872	7583	8184	8810	9446	10083	10736	11375	12025	12655	13236	13890	14446	15074	15677	16291	16931
34	1013	1717	2023	2645	3367	3649	4582	5035	6029	6364	6873	7584	8185	8811	9447	10084	10737	11376	12026	12656	13237	13891	14447	15075	15678	16292	16932
35	1024	1728	2024	2647	3372	3650	4587	5036	6030	6365	6874	7585	8186	8812	9448	10085	10738	11377	12027	12657	13238	13892	14448	15076	15679	16293	16933
36	1035	1739	2025	2649	3377	3651	4592	5037	6031	6366	6875	7586	8187	8813	9449	10086	10739	11378	12028	12658	13239	13893	14449	15077	15680	16294	16934
37	1046	1750	2026	2651	3382	3652	4597	5038	6032	6367	6876	7587	8188	8814	9450	10087	10740	11379	12029	12659	13240	13894	14450	15078	15681	16295	16935
38	1057	1761	2027	2653	3387	3653	4602	5039	6033	6368	6877	7588	8189	8815	9451	10088	10741	11380	12030	12660	13241	13895	14451	15079	15682	16296	16936
39	1068	1772	2028	2655	3392	3654	4607	5040	6034	6369	6878	7589	8190	8816	9452	10089	10742	11381	12031	12661	13242	13896	14452	15080	15683	16297	16937
40	1079	1783	2029	2657	3397	3655	4612	5041	6035	6370	6879	7590	8191	8817	9453	10090	10743	11382	12032	12662	13243	13897	14453	15081	15684	16298	16938
41	1090	1794	2030	2659	3402	3656	4617	5042	6036																		

FINANCIAL TIMES SURVEY



European manufacturers are still responsible for three quarters of world textile machinery

sales. But the market has become a hostile battleground reports Nick Garnett, as electronics have come to dominate design and producers wrestle to keep up with...

The speed of technology

EUROPE'S TEXTILE machinery makers, displaying equipment at their big international show in Paris this week, find themselves in a world market offering astonishing opportunities but exerting some very unpleasant pressures.

With export sales of around \$5.1bn (\$4.4bn), Europe accounts for three quarters of the world's trade in textile machinery and has remained firmly in the forefront of this tough and competitive sector.

In West Germany, Switzerland and Italy, the three largest European producer nations of what are increasingly sophisticated and high-cost machines, most companies have been enjoying a four year period of near-booming sales growth following the grim days of recession in the early 1980s.

"We have had such a long period of good business," says the West German textile machinery federation. "There is a growing feeling that it cannot go on like this. But it still does."

West German companies supplied 34 per cent of world exports in 1985 and, if anything, have increased their grip on the industry since then.

But the market is a hostile battleground. For many types of spinning and weaving machines, there is what amounts to a price war between the biggest

competitors. There is also a fierce struggle to keep up with technological changes which are sweeping through this industry probably faster than through any other machine-building sector.

For many types of machines, overall demand in terms of unit sales in the big markets of Asia, Europe itself and North America, has not risen dramatically. What is happening is that the pace of technological change is accelerating, driving up the value of machines.

Electronics represent up to 30 per cent of the value of some of the more sophisticated pieces of weaving and spinning equipment. For a big spinning plant, investment could be of the order of \$50m per employee. The same trend is happening in niche areas such as tufting, general finishing, dyeing and measuring equipment where the bulk of the much reduced UK textile machinery industry now makes its living.

Textile companies, themselves locked in hard competitive battles are offloading these competitive pressures on to their machine suppliers. The demand for machines with higher speeds, better productivity and quality, and the flexibility for switching materials is becoming increasingly acute.

With research and develop-

ment budgets of machine builders now running up to 10 per cent of sales, this exerts tremendous stress on their staying power. This stress has helped to generate changes within the ownership structure of European textile machinery making.

Smaller companies have run for the cover of bigger ones. Large concerns have sought alliances or outright purchases to broaden their sales and engineering research base. Some companies have just given up.

One of the most striking examples of this was the decision last year by Saurer in Switzerland to abandon the manufacture of weaving machines while continuing to make embroidery machinery.

The past few years have confirmed the status of West Germany as the leading exporter, followed by Switzerland (with 17 per cent of world exports, measured in Swiss francs) and Italy (11.5 per cent) as the dominant producing blocs in Europe. Italy, which had 8.5 per cent of the market ten years ago has been steadily increasing its influence.

The UK, number two in Europe after West Germany twenty years ago, now has around 5 per cent of the market though with important manufacturers for some specific types of machinery. Other manufacturing nations include France, Spain, and Belgium with the big Picanol group.

Eastern Europe is a significant supplier but its influence in export markets has waned. Czechoslovakia invented and first mass-produced the type spinning machinery in the

1970s. While Investa Prague continues to make a lot of these machines, its sales are increasingly confined to Eastern bloc countries.

European producers, though, have to compete on a world stage. Its competitors do not include China which might be the largest producer measured in unit volume but is not an exporting force of any kind. There is now no remaining European producer of really low technology spinning and weaving machinery.

The two significant trends outside Europe have been the steady decline of the US as a textile machine exporter (it now has around 6 per cent of export sales) and the inexorable rise of the Japanese.

Some European producers believe the Japanese growth in

this sector has now been halted. "The Japanese are very good and very clever but they are not number one in this industry," says Mr Jacques Mermoud, secretary general of Cematex, the federation of European textile machinery builders. "No one really sees a major threat from the Japanese. It still has its traditional markets in Asia."

Some other people are not so relaxed. Japan had 12 per cent of world exports ten years ago but this has climbed up to the Swiss level of around 17 per cent. The Japanese are also becoming tougher competitors in the huge US market.

The big Japanese spinning and weaving machinery producers include Hata, Ishikawa Seisakusho and Toyota. These companies are sometimes brought together by an umbrella

West Germany: innovations result in 4 years of exports upsurge
Switzerland: rock-hard currency squeezes overseas margins
Italy: fashion houses set standard for foreign sales growth
United Kingdom: specialisation key to the industry's recovery
United States: investment stagnates but hopes of a recovery 2

ITMA: the world's largest industrial exhibition

New technology: cautious approach towards new production methods

Automation: key to maintaining market share 3

la organisation. Today, to coordinate contract tendering.

There are signs that the Japanese have been losing interest in some types of spinning and weaving equipment but are trying to get a grip of control and automation. Toyota seems to have virtually withdrawn from blowroom and carding machinery.

Big textile machinery companies have for some time acted as plant contractors, installing, for example a complete spinning mill with its 20 or so separate production processes. The next step will be linking all these processes by a single control system. The West Germans are the leaders in control technology, however, not the Japanese.

The Swiss, who were slow to get into electronics are catching up.

Much of the pressure to improve technology is being exerted by European textile companies as Europe continues to win back textile manufacturing from the Far East. The Italian textile industry, already the biggest in Europe is installing new capacity at a tremendous rate. Last year it put in more than 200,000 new spindles for cotton, man-made fibre and wool spinning, according to the International Textile Manufacturers Federation.

"The pace of technological change is quickening," says Mr Herwig Stolz, the federation's director. "The question is, how much can companies afford to spend on research and development?"

The need to answer this question and the severe pressures on machinery prices - even though many producers are making healthy profits - have together forced a significant realignment in the European textile machinery industry during the 1980s.

The collapse and break up of Stone Platt in the UK in 1981 and the decision by the Sears group, the owners of the Bentley mini-empire, to get out of textile machinery at about the same time set in train a series of management buy-outs and acquisitions in Britain which are still continuing.

In mainland Europe, a number of companies have changed ownership though not through management buy-outs. Saurer, a leading Swiss manufacturer of weaving machinery, purchased Ruetli from the Georg Fischer group in 1982. This was a classic case of technological competition. Ruetli was a leader in air-

jet technology but was finding the development costs of three new machine models very hard going.

This year, the Swiss industry was the subject of another change when Rieter, a big producer of spinning machinery purchased Schubert and Salzer, a West German manufacturer of spinning equipment with special expertise in rotors. Rieter says the purchase was made to broaden its business base to cover the costs of machine development, and to acquire Schubert and Salzer's one hundred research engineers. Rieter now employs 6,400 with yearly sales of more than \$500m.

The ownership pattern in the West German industry has been pretty stable. However, a few years ago, Schlafhorst, a large maker of rotor spinning and winding machinery and producer of full spinning mill contracts against full-line spinning machinery makers like Rieter. Two months ago, Trutzschler broadened its base by buying Guesken, a maker of small looms.

In Italy, the most significant ownership change was last year's acquisition of the financially-troubled Gardella by Vamatex. This took Vamatex, a family-owned loom producer, into spinning machinery designed for jute and other heavy fibres. Vamatex has also purchased Saurer-Diederichs, a French loom maker. In France, SACM decided two years ago to give up almost its entire spinning machine business, a sign of the shrinkage of the French industry.

By far the largest amount of restructuring though has been in the UK. Most of the separate businesses in the Stone Platt empire survived, though often in reduced form. Platt Saco-Loewell, for example was bought by Hollingsworth on Wheels of the US which last year also acquired Hergeth, a German maker of carding and blending machines. Scragg, a company specialising in tufting machinery and another former

Continued on page 2

European Textile Machinery

TEXTILE MACHINERY EXPORTS

Million Swiss Francs	1970	1975	1980	1982	1984	1985
W. Germany	3005	3567	3011	2945	4023	4666
Switzerland	1279	2107	2246	2150	2183	2420
Japan	858	1386	1437	1317	2181	2409
Italy	829	1010	899	816	1188	1570
UK	1180	1285	930	756	638	655
US	862	883	698	660	779	735
Others	1686	1585	1757	1324	1667	1298
Total	9706	11823	10978	9968	12659	13753

Rate of exchange: 0.23 DM per Swiss Franc

Source: European Committee of Textile Machinery Manufacturers

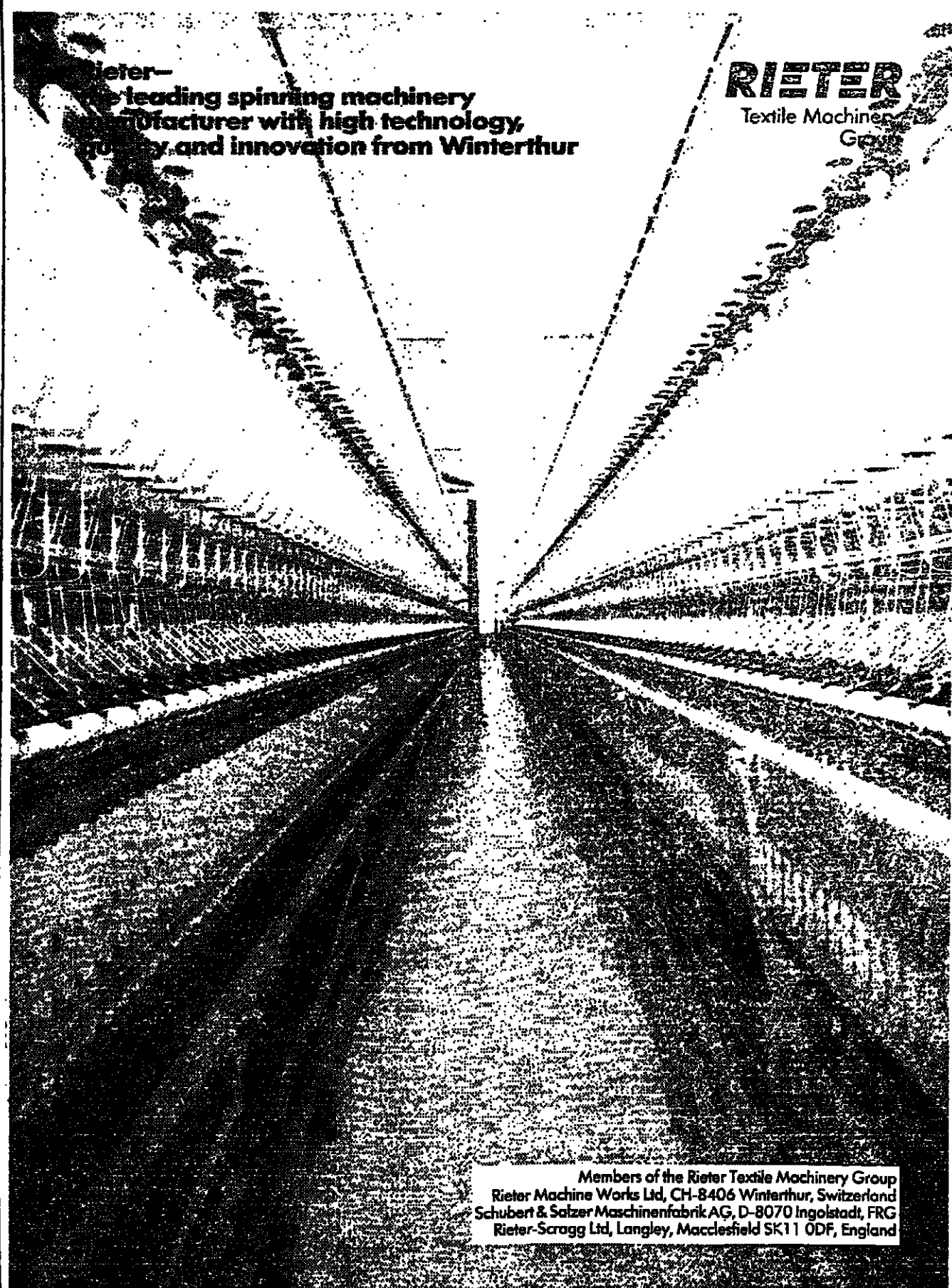
Brana Radovic

SEE THE BEST OF BRITISH TEXTILE MACHINERY - ITMA 87 PARIS 13-22 OCTOBER 1987

The list of British exhibitors at ITMA 87 is, for many reasons, rather special. Quite apart from representing the cream of talent from the textile machinery manufacturing industry in Britain, the exhibitors bring with them an expertise that blends together a wealth of traditional experience and skills with a full understanding of present day technology. Britain is the nation that gave the world many of its most significant developments in textile machinery. Make sure you see how these innovative skills have been adapted to meet the challenge of today by visiting the British stands.

HALL 1 Spinning & Yarn Processing	G1 A1 E6 G21 E4 A11 A9 E22 H43 F40 A10 A24 A33 A39 E6 G43 G42 H48 H46 H13 H11 E2 G39 M2	T. W. Riley (Rochdale 1981) Ltd. Web Processing (M/C) Limited African Textiles Bradford University Research Ltd. Courtauld Engineering Ltd. Crosby Limited Dayco - Day Int. Eadie Bros. & Co Ltd. Pentwyn Precision Ltd. English Card Clothing Co Ltd Garnett-Buywater Limited Gemmell & Dunsmore Limited Haghighi-Chadwick Limited James Mackie & Sons Ltd. John L. Brierley Limited Joseph Sellers & Sons Limited MagnaVac Air Systems Limited Pettie & McNaughton Limited Platt Saco Lowell (UK) Limited Pneumatic Conveyors Ltd. Rieter-Scragg Limited Slack & Parr Design Ltd. Slack & Parr Ltd. Textiles Horizons Textile Month United Spring Co. Ltd. William Tatham Limited Wm R. Stewart & Sons Ltd.	HALL 4 Knitting & Weaving	A43 E26 CS D23 D4 E26 G6 B28 B1 C27 C2 B2 C1 C30 D19 C31 A30 B19	HALL 7/1 Knitting Dyeing & Finishing	CS7 D7 C28 C26 B42 D19 HALL 7/2 Dyeing & Finishing & Winding	C32 C33 D29 C31 G46 C32 H40 H46 H44 G8 H88 CS7 C28 F20	HALL 7/3 Knitting Machines and Making-up Machines	F8 E27 A73 D52 F1 E39 C46 B13 D80 C77 C79 D82 C14 C75	HALL 8 Weaving	A20 A16 A38 B53 B59 B45 B65	
HALL 2/1 Spinning & Dyeing & Finishing	B30 A4 E29 B36 CS1 B57 D41 E24 C67	Bonas Automation Ltd. Devogre & Co. Limited Eltex of Sweden Ltd. G. T. Supplies & Engineering Ltd. M. H. Spencer Limited PEP Penmill & Co. Textile Computer Systems (TCS) Ltd.	HALL 5 Weaving	D19 C31 A30 B19	HALL 7/4 Knitting Dyeing & Finishing	CS7 D7 C28 C26 B42 D19	HALL 7/5 Knitting Dyeing & Finishing	C32 C33 D29 C31 G46 C32 H40 H46 H44 G8 H88 CS7 C28 F20	HALL 7/6 Knitting Dyeing & Finishing	F8 E27 A73 D52 F1 E39 C46 B13 D80 C77 C79 D82 C14 C75	HALL 8 Weaving	A40 A1 A34 B1 B2
HALL 2/2 Spinning & Dyeing & Finishing	D15	Fiberguide Ltd.	HALL 6 Weaving	A20 A16 A38 B53 B59 B45 B65	HALL 7/7 Knitting Dyeing & Finishing	CS7 D7 C28 C26 B42 D19	HALL 7/8 Knitting Dyeing & Finishing	C32 C33 D29 C31 G46 C32 H40 H46 H44 G8 H88 CS7 C28 F20	HALL 7/9 Knitting Dyeing & Finishing	F8 E27 A73 D52 F1 E39 C46 B13 D80 C77 C79 D82 C14 C75	HALL 8 Weaving	A40 A1 A34 B1 B2
HALL 3 Dyeing & Finishing Machines	E21 E2 E23	Albright & Wilson Limited Mather Machinery Co. Ltd. Shurley Institute	HALL 9 Knitting & Weaving	A40 A1 A34 B1 B2	HALL 7/10 Knitting Dyeing & Finishing	CS7 D7 C28 C26 B42 D19	HALL 7/11 Knitting Dyeing & Finishing	C32 C33 D29 C31 G46 C32 H40 H46 H44 G8 H88 CS7 C28 F20	HALL 7/12 Knitting Dyeing & Finishing	F8 E27 A73 D52 F1 E39 C46 B13 D80 C77 C79 D82 C14 C75	HALL 8 Weaving	A40 A1 A34 B1 B2

FOR FURTHER INFORMATION ABOUT BRITISH EXHIBITORS AND THEIR PRODUCTS ON DISPLAY, CALL AT THE BTMA OFFICE LOCATED IN THE ITMA 87 INTERNATIONAL CENTRE, HALL 2/2.



Members of the Rieter Textile Machinery Group
Rieter Machine Works Ltd, CH-8406 Winterthur, Switzerland
Schubert & Salzer Maschinenfabrik AG, D-8070 Ingolstadt, FRG
Rieter-Scragg Ltd, Langley, Macclesfield SK11 0DF, England

EUROPEAN TEXTILE MACHINERY 2

West Germany is enjoying a 4-year exports upsurge, reports Andrew Fisher

Level of innovation breeds success

AFTER A boom which has already lasted for four years, West Germany's textile machinery makers are starting to wonder how long it will last. Not that there are any signs of a reverse. Exports have continued rising this year, albeit at a slower pace than in 1986, and order books stretch well into next year, and in some cases even into 1989.

The upsurge of business since 1983 was preceded by a slump in the industry which lasted for nearly nine years. The previous ITMA helped to end the gloom and stimulate renewed growth in orders. Production rose by 70 per cent to an annual DM6.7bn in the three years to 1986.

The West German industry is by far the biggest exporter of textile machines in the world. It accounts for 35 per cent of the foreign sales of the world's 10 most important producer countries in the sector. Well behind are Switzerland and Japan with around 18 per cent each and Italy with 11 per cent.

As in other industries, it is the high level of innovation that is a key reason for the success of German machines, especially in western Europe and the US. German equipment has a high

electronic content to improve both the running of the machines and the quality of their output.

Thus, despite the sharp fall in the dollar, German sales to the US have remained high. In the first half of this year, they were up by 7 per cent. This was after a jump in 1986 to DM 737m from DM 688m, the peak year being 1984 with DM 817m. The sharp rise in the D-mark has certainly made German products much more costly, but US buyers have been enjoying a welcome respite from stiff import competition on textiles as their own currency has fallen. So they are still willing to import machinery from Germany.

Also, many of the machines made in Germany are not matched by US manufacturers, who tend not to achieve the same rate of technological advance. German companies have a high rate of research and development, spending, which averages 4 or 5 per cent of turnover, but can rise to 10 per cent at times of intense activity.

On average, the German industry now has an order backlog of eight months, compared with a more usual four or five months in less busy times. But

the most successful companies have far more than this. At Truetzschler, which makes spinning machinery, there are enough orders for the next 18 months.

Compared with a turnover level of DM180m last year, double that of 1983, the order book totals DM350m, says Mr Hans Truetzschler, one of the joint family owners and directors. Based in Moenchengladbach, the north-east German town which is a main centre of the industry, the company recently bought the nearby company of Giesken to enable it to lift output of its own products.

This year, says Mr Truetzschler, who is also chairman of the textile machinery group in the German mechanical engineering association (VDMA), his company's turnover should be around DM 250m. It also has a plant in the US, in North Carolina, whose output has been expanded, spending, which averages 4 or 5 per cent of turnover, but can rise to 10 per cent at times of intense activity.

On average, the German industry now has an order backlog of eight months, compared with a more usual four or five months in less busy times. But

The DM737m of sales to the US achieved in the whole of last year compared with DM738m-worth of products sold to China. Third was Italy, which bought DM518m of German equipment, followed some way behind by France, Britain, and Turkey. In the first six months of 1987, however, China was only in fourth place among the German industry's markets, outpaced by Italy and Taiwan behind the US.

Although Germany's exports of textile machinery totalled DM60m last year, a rise of 11 per cent. The increase in the first half of 1987 was a more gentle 4 per cent to DM2.93bn, though spinning machinery makers recorded an overall improvement of 17 per cent to DM772m after a 13 per cent advance in the whole of 1986 to DM1.43bn.

For weaving machinery, the export picture has also been favourable. In 1986, foreign sales were 18 per cent higher at DM769m, the first half of this year saw a less dramatic, but still 17 per cent increase of 9 per cent to DM380m.

Not all parts of the industry are enjoying such a bumper time, however. Makers of knit-

ting machinery are finding that orders are harder to come by in this highly fashion-oriented and more fickle area of the market. "Competition is tougher when business is poor," notes Mr Helmut Holtappels, a textile machinery official at the VDMA.

Although exports of German-made knitting machinery held up well last year, with a 7 per cent advance to DM812m, they slipped by 3 per cent in the first half of 1987 to DM 375m. Also easing this year have been foreign sales of bleaching, dyeing, printing, finishing machines, and of components, accessories, and other equipment.

Most German companies in the industry, which tends to be dominated by family-run businesses, export nearly all their production. At Schlafhorst, also in the spinning machine sector, the proportion is 90 per cent. After total sales rose from under DM400m in 1982 to nearly DM940m last year, it is aiming for over DM900m in 1987.

As the biggest exhibitors at ITMA, therefore, the German producers are still in good heart and hope that demand will last as long as the previous recession in the industry.

Italy

Fashion houses set high standards

Italian success in clothes and fashion underlies the strong position which the country's textile machinery makers have gained in domestic and international markets.

According to Mr Giovanni Rusconi, head of economics and market studies at the trade association, Acimit, supplying the domestic textile industry has been the key factor behind the good results achieved by Italian machinery manufacturers.

"Missoni, Armani, Versace and other Italian fashion houses are increasingly demanding in specifying materials for clothes they design. The textile industry has had to satisfy these demands."

In responding to stimuli at home, Acimit's members have also put themselves into an excellent competitive position on a worldwide scale. Mr Rusconi says that Italy now commands fourth place in the global export league table for textile machinery, behind West Germany, Switzerland and Japan.

Sales abroad are now clearly crucial to the industry's health. The total value of exports last year amounted to L2,800bn, of which nearly 60 per cent was sold in export markets.

Hence strong demand from export markets has been the main factor in ensuring the high plant utilisation typical of the mid-1980s. Order books currently stand at about 7 months' work, with an average utilisation factor of over 90 per cent, the industry is pushing up against its capacity boundaries.

"The conditions in which the industry is working are exceptionally buoyant. This is the sixth consecutive year of export growth," said Mr Rusconi. Acimit expects that by the end of this year, total sales of L2,000bn will have been registered, of which machinery worth about L1,850bn will have been sold abroad.

One of the features of the sector has been its exploitation of the growth in the Chinese market. Last year, sales were L174bn, a significant advance on L148bn in 1985 and a figure which closely matched sales to US, Italy's biggest market, of L177bn.

According to Mr Rusconi, China has currently moved into top place with sales in the current year expected to exceed L200bn. "Textiles have been given an important role in the sales strategy of Government plans. They are to renew their plant in order to obtain the quality needed to sell production abroad," he explains.

Just recently, there have been a number of complaints from the People's Republic over machinery received from their Italian suppliers. But Mr Rusconi admits that the sudden spate of complaints to Chinese officials, some small Italian companies may still find the calls on their manpower and finance to be beyond them.

Indeed, inadequate financial resources are a more general problem for Italy's small manufacturers. They do not have the capacity to invest in the new products or for tackling new markets, "according to Mr Rusconi. Individualism and a strong attachment to independence prevent industrialists from separating," he adds.

But while fragmentation poses a problem on the one hand, it also offers real and substantial advantages. Above all, small concerns are able to respond quickly and flexibly to changes in market conditions and to match what customers want.

Chinese may sometimes have had a genuine cause for complaint against Italian suppliers. Mr Rusconi admitted that after-sales service has been the Achilles heel of Italy's large number of small manufacturers. Ensuring that customers' machinery receives attention, as and when needed, requires resources. Though efforts have been made to overcome criticisms with this aspect of the business, and to raise after-sales service to satisfactory levels, some small Italian companies may still find the calls on their manpower and finance to be beyond them.

But whether the companies are large or small, they have had a common point of emphasis in their development plans over the last few years. "Until the 1970s, our textile machinery makers were generally looking to produce machines offering higher and higher output. Today's machines are designed to provide environmental protection, noise and dust reduction, energy saving and electronic control," Mr Rusconi notes.

Greater sophistication in textile machinery has caused changes in demand for labour. During the crisis years 1980-81, the industry in Italy shed about 1,500 jobs, mostly from the large

makers of textile machinery are classified as large or medium in size. The vast majority are small and generally, very agile. "They are able and willing to tailor plant to their customers' precise requirements," Mr Rusconi says.

Though small companies have probably profited most from the market's good conditions, large concerns have also done well. Sales at Nuovo Pignone/Smit have advanced sharply. This subsidiary of the state hydrocarbons holding corporation, ENI had turnover of L55bn last year, against L40bn in 1985 and L30bn in 1984. Three quarters of Nuovo Pignone's sales are made in export markets.

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Greater sophistication in textile machinery has caused changes in demand for labour. During the crisis years 1980-81, the industry in Italy shed about 1,500 jobs, mostly from the large

companies. But numbers employed has since risen and last year the industry gave work to about 25,500 people. Mr Rusconi notes that the jobs which were lost at the start of the decade called for low skills, those being offered today are for highly qualified staff.

The boom in world demand has been fundamental in permitting Italian textile machinery makers to expand their workforces. There seems to be no concern that a downturn is close at hand. Profits have been adversely affected by the fall in the dollar, but margins were sufficiently fat to absorb the devaluation without excessive changes in price lists. "Makers were laughing before, now they are just smiling," Mr Rusconi says.

Acimit expects that the industry's strengths will continue to lie in the spinning, which accounts for 29 per cent of total production and where Gruppo Savio, Marzoli and Vamatex are the big operators, and in dyeing and finishing, which accounts for a further 29 per cent.

Although it ranks as a major manufacturer, Nuovo Pignone/Smit makes machinery for the weaving phase, which accounts for only 13 per cent of total Italian production. The companies around Biella in Piedmont, in the Lombard provinces Milan, Como, Bergamo and Brescia, in the province of Vercelli, in the country's north east corner and in the Prato woollens area near Florence are confident that there is still steam left in the engine of demand. They see signs of a pick-up in demand in South America. Acimit believes that Brazil and Argentina could return to Italy as significant markets for textile machinery. "This year has been richer for light than for shade and the near future certainly does not look dull," Mr Rusconi adds.

David Lane

Switzerland

Prices cut to bone

Switzerland's textile machinery manufacturers are, like most of their foreign counterparts, having a better time of it. The drums of the early eighties are long past and the industry as a whole has been experiencing an upswing since 1984.

This is of considerable importance for the overall economy. Textile machines account for the biggest single category in Swiss engineering, itself the country's biggest exporter and employer. Some 70 plants, mainly located in the industrial north-east, have a combined payroll of well over 16,000 and estimated annual sales of SF2.7bn.

Although textiles were the original basis for Swiss industrialisation, this traditional industry has gone through a drastic re-dimensioning process in the past decades. Since 1975 alone the number of textile operations and corresponding employees has dropped by well over 20 per cent.

Manufacturers have become almost totally reliant on export business, their foreign sales currently accounting for more than 90 per cent of turnover. Switzerland is ranked in second place in world exports, before Japan and second only to West Germany. Major customers are traditionally the United States and Germany itself.

It has been the gradual recovery of the textile industry and the backing demand for low cost, high-efficiency machines which has helped Swiss manufacturers recover from the recession. Between 1983 and 1986, Swiss exports of textile machinery rose by some 37 per cent to last year's figure of SF2.57bn. In the first half of this year, cor-

responding billings have fallen off by 4 per cent but this is doubtless just a reflection of exchange-rate developments.

More encouraging 1987 indicators are those in respect of new orders. The volume of orders on hand has been slowly improving to reach the equivalent of 5.6 months' production by mid-year. This compares with a disastrous 3.6 months at the nadir of the recession in the final quarter of 1982.

For all that, the industry is far from out of the wood. The Swiss Association of Machinery Manufacturers (VSM) says that profit levels are still far from satisfactory. At the same time, the steady improvement of the past couple of years took place from a very low base. For example, the 1984 export total was only slightly higher than that for 1976 - a year in which order books equalled over a year's output. The current 5.6 month figure is, incidentally, barely up to average production times.

In the long term, companies will naturally benefit from their rationalisation and modernisation programmes. On the one hand, capacities have been adjusted to conform with future demand levels. For example, Saurer is phasing out its weaving machinery while concentrating its efforts on the successful line of embroidery equipment. On the other hand, productivity has generally improved and sales programmes enhanced. A lot of money is being spent in-house and there has even been one major acquisition, Rieter Holding increasing its textile machinery turnover by about half to some SF1.900m through the take-over of the German spinning ma-

chine specialist Schubert + Salzer. This brings it close to the SF1.15bn of market leader Rieter, itself profiting from its Swiss-Rieter joint technology and improvements in the field of projectile and rapier machines.

All this naturally takes time to bear fruit, as well as calling for substantial investments. This at a point where competition on world markets is extremely tough. Swiss companies put at a disadvantage by both high production costs and a rock-hard national currency, are frequently required to cut their prices to the bone and this without the hidden or open subsidies granted by the governments of some competitor nations.

As always, Swiss manufacturers are waiting eagerly for the outcome of the ITMA textile-machinery exhibition in Paris. Mr Sker de Salis, of the manufacturing company Edouard Dubied, who heads VSM's textile machinery division expressed his confidence at a recent pre-fair seminar that Switzerland would show a "will to retain its current position" in the market, but warned that European and Japanese competitors lack neither dynamism nor ability.

"Though we need fear no-one in the field of innovation, technology, marketing and service, this is a time when we must be case in respect of financing and export risk guarantees, where we are at a disadvantage."

"In addition, the over-valued Swiss franc is squeezing the margins that we urgently need to retain our financial substance and keep up innovations," he added.

John Wicks

United States

Hopes of a recovery

THERE HAS been a marked stagnation in investment in new textile machinery by the American textile industry during the past three years. So much so that China, in a concerted drive to build up its textile industry and exports, has overtaken the US as the main destination for textile machinery exports from the world's leading producers.

US Administration has always been more sympathetic to demands for tighter controls on low cost textile imports than have been the leading industrial countries of the EEC.

That is partly why the current campaign for tougher controls on textile imports into the USA has progressed so far, despite the apparent reluctance of the US authorities to endorse legislation that would create outrage among America's EEC allies. Basically, the strong protectionist lobby in the US wants 'global ceilings' on all textile imports. Whether these restrictions will be introduced or not, the anti-import attitude of the US textile industry gives it an image of strength and endurance in the eyes of the machine builders seeking to sell their products to the Americans.

ITMA, although it does not have quite the "pull" of the US textile manufacturers as it has for the rest of the world's industries, undoubtedly influences spending patterns in the States, as it does everywhere else. And the fact that automation is going to be the dominant theme at this month's ITMA event in Paris could not be better suited to the demands of the US textile producers, with their high-volume, high-labour cost profile making them eager potential customers for some of the new automated and robotic textile processing ranges making their debut at the show.

On the basis of turnover and numbers employed, the US can still produce five of the world's top ten textile companies, with Burlington Industries just holding on to the top rating. The other leading names - all, like Burlington with their roots in the

cotton sector are Milliken, J.P. Stevens, West Point-Pepperell and Collins & Aikman.

These majors have a powerful voice, both economically and politically, and in any case the US Administration has always been more sympathetic to demands for tighter controls on low cost textile imports than have been the leading industrial countries of the EEC.

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colour possibilities on air-jet looms from some of the European and Japanese machinery companies will certainly enhance the appeal of these systems to the American market. The American textile industry rotor spinners, capable of producing finer yarns than previous models, and the new link systems between ring spinning and winding machines, will also stimulate US interest.

The next 12 months are expected to bring a significantly better investment climate for the US textile manufacturers, but the industry is not too far away from their own textile machinery showcase, the ATME events held periodically in Greenville, South Carolina. The Americans will show a tendency to 'wait and see' what innovations these exhibitions throw up before plunging into really big investment programmes. Inexplicably, the US does not have a major textile machinery manufacturing industry of its own, so the Greenville shows are looked upon as major selling opportunities by the machine builders of Western Europe and Japan.

Two ATME shows are already scheduled for the next 18 months: the autumn 1988 one will feature machinery for fabric manufacture (weaving, knitting) and dyeing and finishing; in spring 1989, equipment for nonwovens and the various yarn manufacturing processes will be exhibited. Although both these sector-specialised shows together are nowhere near as big as an ITMA, they will be eagerly awaited by textile machinery builders worldwide as providing the opportunity for the American textile industry to confirm itself as their biggest and best customer.

John Williams

Specialisation key to fight back

ONCE UPON a time the British textile machinery industry was the most powerful in the world. In the last two centuries, when the British textile industry went from strength to strength, the textile machinery manufacturers flourished with it.

But in the post-war period the British textile industry, and its machinery makers, began to wane. Former colonies like India, which had once provided a captive market for the Lancashire cotton industry began to establish their own centres of textile production. This took its toll on the textile manufacturers and thus on the domestic

market for the machinery industry.

During the same period the textile machinery makers of West Germany and Switzerland began to gather momentum. Later the Italian machine manufacturers emerged as players on the world stage, and in the late 1970s the Japanese followed suit.

The decline of the British industry came to a head in the recession of the late 1970s and early 1980s. Demand for textile machinery throughout the world declined dramatically during that period. British manufacturers faced the parallel

problems of high inflation which pushed up costs and an unfavourable exchange rate against the currencies of the Deutschmark and the Swiss Franc.

The turn of the decade was marked by the dissolution of Stone Platt and Bentley, the two largest British textile machinery manufacturers.

After the collapse of Stone Platt, its textile interests were broken up. Platt Saco Lowell was bought by Hollingsworth & Wheeler, a US group, and Ernest Scragg by Rieter, the Swiss giant. Most of the other Platt businesses were absorbed into management buy-outs. As were the bulk of the Bentley companies after the Sears Group, its parent, withdrew from textile machinery. Bentley Engineering itself, however, was bought by Mayer, one of the large West German groups.

The decline of the British textile machinery industry was dramatic. Between 1970 and 1985, the last year of complete statistics, the value of its exports - generally 80 per cent of sales - almost halved from SF1.18bn to SF0.65bn. Even allowing for fluctuations in the exchange rate, this represents a severe slump.

In 1985, Britain lay sixth in the world league table for textile machinery exports - a whisker behind the US - with just 4.8 per cent of a SF13.7bn market.

Yet these apparently bleak statistics shroud a more encouraging picture. In recent years, when worldwide demand for textile machinery has revived, the British industry has stabi-

lised. The 180 companies which make up the sector enjoyed a 20 per cent increase in sales last year, according to the British Textile Machinery Association. Sales are expected to show further growth in the present year.

The companies which have survived the recession have done so by specialising within particular niches of the market. To most manufacturers, specialisation will be the key to success in the future.

A company like Mackie of Belfast, for example, has seen its workforce contract rapidly in recent years - from 5000 people in the 1960s to just 1000 today - yet it has secured its future by specialising in the areas of long staple spinning machinery for wool, staple and linen. In several of its product sectors it dominates the world market. There are no other major Western European competitors in the textile machinery field and the Far Eastern manufacturers produce solely for their indigenous industries.

Similarly Cobble, which is based in Blackburn, has used the capital generated by its strength in the market for carpet tufting machinery to diversify into other areas with the acquisitions of Wilson Longbottom, a heavy loom maker, and Canber, which makes specialist knitting machines.

Several British companies have made important technological innovations in their specific fields. Platt Saco Lowell, for example, has been at the forefront of the development of friction spinning. Crosrol has been successful in the carding

machinery area; as have ICS-Texcon in colour decoration and measuring equipment and Bonas, in narrow fabric weaving.

But the successful British companies restrict their activities to specialist niches of the machinery market. The mass market for weaving and spinning equipment has been left to the West Germans, the Swiss and, latterly, to the Italians.

As Mr Geoffrey Livesey, group managing director of Cobble, said: "It would be very, very difficult for any of us to take on the Germans and the Swiss in that volume area. To be precise it would require a major technical breakthrough and many millions of pounds."

Apart from the hefty cost of research and development, British companies cite the shortage of skilled engineers and designers as the chief problem confronting the industry. Currency poses an additional difficulty. Although for the past few years the exchange rate has been more amenable than in the difficult period of the early 1980s.

In many ways the British textile machinery industry is now operating within a clement climate. "The days when we could blame currency and cost structures for our problems are over," said Mr Gordon Mackie, chairman and chief executive of Mackie. "The emphasis is now on us to produce the quality of products which can compete in world markets."

Alice Rawsthorn

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EUROPEAN TEXTILE MACHINERY 3

New technology

Cautious approach to new output methods

Textile manufacturers are traditionally cautious in their investment policies. It is an attitude that ensures even the most exciting apparent breakthroughs in textile processing techniques can spend as long as ten years at the 'proving' stage before coming to full commercial acceptance.

Machinery builders supplying the primary textile industry know they face a difficult task in attempting to launch new products that incorporate fresh technological concepts, but the effect of this is not entirely negative. It means, for instance, that there are few spectacular failures, since new machine development are always well-tried before they reach the open market.

Nor is overall technological progress slowed by the careful approach. Textile machinery innovation tends to take the form of modification and improvement of existing ranges, rather than revolutionary new products, but the process of change is virtually continuous. Rotor spinning machine speeds, for instance, have steadily climbed from around 60,000 rpm to approaching 100,000 rpm in ten years or less, and the progression has been in fairly even stages.

The highly-competitive nature of European and North American textile industries - fighting to hold onto quality marked segments as low-cost imports dominate in mass-produced textiles - has engendered an equally fierce rivalry among machine suppliers. The leading textile machinery builders, in West Germany, Switzerland and Italy, have to invest huge sums in research, as they vie with one another to keep abreast of latest spinning and weaving systems that may not reach the market for another decade.

In the meantime, the established yarn- and fabric-making methods are providing healthy sales returns. Factories using these massive research activities.

In spinning, there are two dominant production methods. Universally applicable and the standard by which other yarn-making routes are measured is ring spinning. For coarser yarns, the younger open-end rotor spinning method has captured a large share of the market because of its high output levels and consequent economy.

But there are large potential gains to be made from developing spinning systems which could threaten the position of ring and rotor and the top names in spinning machinery are all energetically - but largely secretly - pursuing their own ideas of what form such a new technology should take.

Two favourites have emerged: friction spinning, in which the yarn is formed by the frictional effect of passing fibres over a rotating spindle, and air-jet spinning, in which fibres are wrapped together in a vortex of air.

The friction method has been pioneered in some limited and specific end-uses by an Austrian company, Dr. Ernst Fehrer. But the potential of friction spinning as a high-output means of making yarns has not been fully explored.

Only Platt Saco Lowell, a UK company now owned by the Hollinger group, has shown a new friction machine at the last ITMA international machinery exhibition in Milan four years ago, and it is unlikely that this year's ITMA will see any more firms entering the field.

Friction spinning's main drawback is that the yarns produced are not strong enough to stand up to modern high-speed knitting and weaving machines, a problem which increases in proportion to yarn fineness. No-one has yet solved the textile machinery builders, for instance, have steadily climbed from around 60,000 rpm to approaching 100,000 rpm in ten years or less, and the progression has been in fairly even stages.

Air-jet spinning, so far virtually the exclusive province of Japanese machinery manufacturers such as Murata, also faces practical limitations, including, for example, the fact that cotton staple fibres are not usually long enough to allow for the wrapping action that is an essential part of the process.

Blending the cotton with synthetic fibres such as polyester has provided a partial answer. Unlike friction spinners, air-jet machines are well-suited to the manufacture of finer yarns - an increasingly important demand of fashion textile companies - since the wrapping action works better with the thinner yarn cross-sections. Both friction and air-jet yarns have an

other disadvantage though: they are readily identifiable, and lend their own peculiar characteristics to fabrics in which they are used (air-jet products displaying an unpleasant stiffness of hand).

In weaving machinery, three shuttleless fabric-making techniques account for some 70 per cent of world sales, and the out-moded shuttle weaving machines are now really sold only to developing textile nations.

The difference between the main shuttleless looms is the way in which they send the warp yarns to form the weave. Weaving insertion methods can be classified as:

Projectile - developed and still completely dominated by Sulzer Bros. of Switzerland. This is the most versatile weaving system, capable of making almost every type of fabric from any of the yarns commonly used, at fairly high production speeds.

Air-jet - built by companies in Western Europe, the Eastern Bloc and Japan, the air-jet method is characterised by extremely high output rates, at the expense of versatility.

Rapier - the most popular shuttleless weaving system in terms of numbers of manufacturers using it. High speeds and versatility are advantages, but the rapier machines' biggest selling point is their flexibility, enabling style and fabric type changes to be made very quickly. The machines are thus well-suited to the demands of fast-moving fashion fabric markets.

Even more so than in spinning, the established methods in weaving machinery technology look like retaining their position into the foreseeable future. Multi-shed weaving, a complicated method involving several simultaneous phases of yarn feeding and interlacing, enables fabric to be made at approximately twice the rate of any of the other processes, but it fails to offer a real practical alternative because of its severe limitations in terms of end-use. The stresses of the weaving action and the relatively poor quality of the finished fabric means that multi-shed machines will almost certainly continue to be restricted to basic fabrics such as surgical gauze and cheaper print cloths.

John Williams

Alice Rawsthorn explains the importance of ITMA which opens in Paris tomorrow

World's largest industrial exhibition

IN MANY ways its origins were quite inauspicious. The first ITMA - international textile machinery exhibition - was held in the French city of Lille in 1851. It attracted almost 300 exhibitors and was judged to be a success.

Yet the success of that first forum pales in comparison with the scale of the ITMA exhibition which opens tomorrow at the Porte de Versailles in Paris. This forum, the tenth ITMA, will not only be the largest exhibition of textile machinery, but the largest industrial exhibition in the world.

Since the first ITMA, in the early 1950s, the international textile industry has changed beyond recognition. The development of synthetic fibres and the emergence of the Far Eastern industry has revolutionised the textile marketplace. Machinery manufacturers have responded to these changes with a series of innovations, thereby transforming the textile industry from a labour to a capital intensive sector.

As the textile machinery industry has expanded so has the ITMA exhibition. This forum, which will last for ten days, will extend over 146,000 sq metres of floor space, with 1,260 exhibitors drawn from 33 countries.

West Germany, the largest exporter of textile machinery in the world, alone will absorb 40,500 sq metres of the exhibition.

There are other textile machinery exhibitions. Yet these tend to be more modest affairs, chiefly concerned with exhibiting textile machinery to manufacturers within individual countries and specific regions.

By common consensus the ITMA exhibition is the most important of all. First, it is the only truly international forum at which textile and clothing manufacturers gather from all over the world to see the latest developments. Second, it is one of the few exhibitions at which every form of textile machinery is shown from spinning to making up, or from 'bale to sale' as industry jargon puts it.

For the textile machinery manufacturers, the ITMA cycle - the exhibition is held at four year intervals - dictate the pace of technological innovation. The industry's research and development programmes are geared towards unveiling new products and systems at each exhibition.

From the perspective of their customers - the world's textile and clothing manufacturers - the exhibition acts as a show-

case for the very latest technological developments. Courtaulds, for example, which is one of the most powerful forces in the European textile industry with interests ranging from fibres to branded apparel, intends to send a contingent of 100 people to the exhibition.

Its representatives will range from the board of its textile group to technicians and recent graduate recruits. Courtaulds invests more than £40m a year in capital expenditure for its textile interests, chiefly on textile machinery. Mr John Billing, director of management services for Courtaulds Textiles, said that the company uses ITMA as a forum to 'review all our options for new machinery'.

As befits the biggest ever ITMA exhibition, the climate for the textile machinery industry is remarkably buoyant. The industry tumbled into recession - reflecting the decline of the global economy - in the late 1970s and early 1980s, but has since embarked upon a recovery.

Textile machinery, like many other industries, has benefited from the improvement in the outlook for the world economy. Yet it has also been helped by two parallel developments.

First, many of the textile manufacturers in developed markets which have survived the world recession have needed to re-equip outdated plant. Second, the pace of technological change within the textile sector has accelerated rapidly over the past decade.

For the companies like Courtaulds, operating within the developed countries, the introduction of new technology to the textile production process has offered a real opportunity to secure the improvements in productivity needed to compete against producers in the developing textile markets, with lower cost structures.

This increased emphasis on new technology from producers in the developed world has been accompanied by the emergence of new textile markets. China, for example, has invested heavily in machinery for its fast growing industry.

As a result, demand for textile machinery has revived. The West German industry alone increased its output by 27 per cent in 1984, 19 per cent in 1985 and by 13 per cent last year, according to the West German Textile Machinery Manufacturers Association. Other national industries have experienced similar growth.

Thus the world's textile machinery industry will gather at the Paris ITMA in a buoyant mood. Whereas in the approach to past exhibitions orders have tended to dwindle, most of the major manufacturers report healthy order books.

The new developments to be unveiled at the exhibition should add a further fillip. The most important innovations are kept under wraps until ITMA opens. The consensus view within the industry suggests that there are unlikely to be radical innovations but that there will be many developments and refinements of existing products and systems.

Most industry observers anticipate further progress towards the integration of the production process; the integration of micro-electronic systems in systems; and the development of more sophisticated computer-aided design packages. For Mr Edward Smalley, president of Cematex the European textile machinery body which organises the exhibition, the immediate outlook for the industry is buoyant. 'Most manufacturers can look forward to the next 12 or 18 months with confidence,' he said. 'And there is no doubt that the ITMA exhibition will stimulate interest in the industry.'

Automation

Market share weapon

protonist - has accelerated the development of highly-sophisticated automatic textile machines for use by the West's textile producers. Automation is seen by them as bringing advantages in three areas: labour savings; process efficiency and economic operation.

The first main textile machinery sector to apply microelectronics technology on a large scale was dyeing and finishing. The ready applicability of microprocessor-based control systems for such wet-processing functions as opening water valves and governing flow rates and dwell times for chemical feeds was quickly identified by machine manufacturers. Every finishing range shown at ITMA will have automated process control, at least as an option available either from the mainstream equipment makers or

from one of the dozens of companies now offering control and monitoring devices for dyeing and finishing processes.

Preparation of raw fibre - especially cottons - for spinning has always been one of the most unpleasant and labour-intensive operations for mill workers. Companies such as Trutzschler of West Germany, can now supply complete equipment lines that break open the raw fibre bales, successively blend and clean the fibres and convey them to the subsequent carding process. Ductwork carries away dust and dirt, while air-conditioning systems are an integral part of the process machinery.

Another German company, Schafhorst, has a co-operation agreement with Trutzschler that is likely to provide one of the most spectacular automation exhibits at the 1987 ITMA show. Treated fibre in large-

capacity cans is transported automatically from a Trutzschler carding machine to a Schafhorst high-speed rotor spinning frames, via fibre drawing machines made by Schafhorst associate company Zinser. The transport system is based on an inductive loop circuit that is laid into the floor of the mill.

The rotor spinning machine at the end of this futuristic sequence is the Autocoro, the most successful of the latest generation of open-end spinners. It is itself a fully-automated machine, with a travelling automatic mangle, yarn package changing and re-start operations, all governed by an electronic monitoring and information computer.

Ring spinning, which looks likely to retain its established position as the standard yarn-making method for at least the

next decade, has enjoyed a rebirth in the past four years, thanks mainly to the development of bridging units that link ring-frames with the following cone winding operation.

Spin-wind link systems were made possible by the introduction of air splicing techniques for yarn joining, so that continuity between the two processes could be maintained.

Weaving machines present a more difficult technical challenge for automation, but microprocessor-based monitoring, production planning and data recording are commonplace. Handling of heavy cloth rolls still usually means a combination of mechanical trolley devices and human 'power'. Sulzer, the top name in weaving machinery, recently demonstrated an ingenious robot method of moving cloth beams to customers at their Swiss headquarters. But they admit that the labour-saving gains from its use would not be sufficient in any but large-scale weaving sheds.

John Williams

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- feel that overseas trips are less productive than they should be?
- not enjoy your job to the fullest?
- These are all symptoms of inadequate personal organisation and task management, resulting in inefficiency, poor performance and lessened job satisfaction.

If only half of them apply to your workstyle - you need Factmaster.

What is Factmaster?

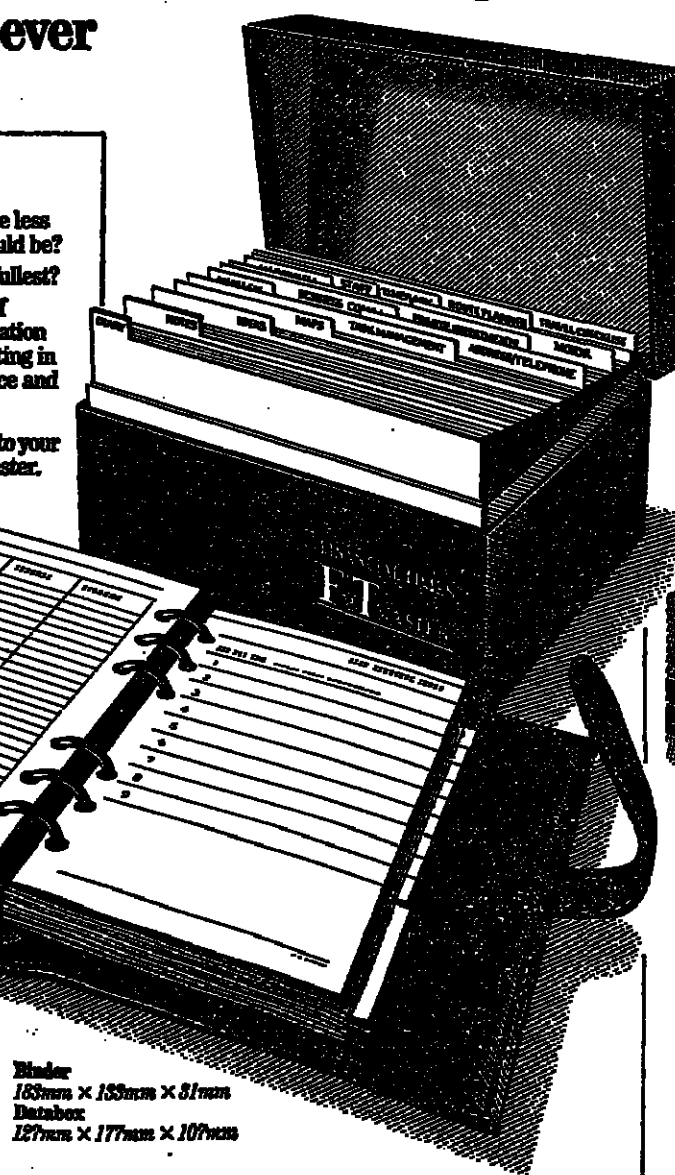
FT Factmaster is a flexible, yet carefully structured system of personal organisation and time management that adapts itself to your specific needs. With a very small investment of your time, your personal effectiveness will be transformed - you'll meet deadlines, stay ahead of the game and those around you will respond more positively towards their own tasks and objectives when they see the example you set.

Factmaster has three main features.

First there is the portable ring binder itself, which allows you to take everywhere only those pages or sections you really need on any particular day. Second are the five different sections, each lasting for 12 months. Third is the desk top Databox designed to store your completed, spare or alternative pages.

How does Factmaster work?

Factmaster is constantly evolving to meet the ever changing needs of the marketplace. You select to suit your own personal requirements. Now the choice includes everything from a start-up pack to the complete system. To start with you will need to invest some time and effort but having assembled your Factmaster, the benefits will be virtually immediate.



Binder
183mm x 153mm x 31mm
Databox
127mm x 177mm x 107mm

The unique Factmaster Time Management System.

The Time Management section is a powerful tool, guaranteed to keep your projects moving forward on time and according to plan. Programming is simple and logical. Major tasks and objectives are entered into the system in order of priority with start/finish deadline. They are then divided into sub-tasks and entered together with an action plan and timetable.

At the end of each working day, actions for the following day are listed and recorded in the Diary/Daily Plan pages. This is the system's link to the next day. The progress of all tasks is monitored automatically and new information is entered as it comes to hand.

An investment for life... a pleasure to possess. A top quality range of binders

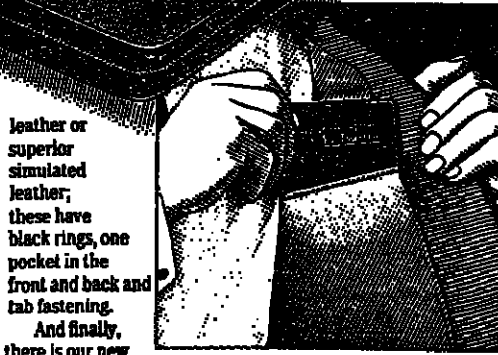
As you would expect from the Financial Times, not only is Factmaster an invaluable business aid - it is stylish and elegant in its own right, produced to a quality which we believe to be far superior to anything else on the market.

Available in six different black binders, only the finest materials and craftsmanship have been used throughout. Our superb range of leather binders have been especially created for us by Andrew Soos - a leather craftsman of international repute who also produces goods for Harrods and Asprey.

If you demand the best, choose the top of the range zip-up binder in superb soft patterned leather, with real gold-plated rings, two front pockets and a pocket in the back with space for credit cards.

The same design is also available without the zip fastening, either in the same soft leather or alternatively in a luxurious, smooth, cow hide with a traditional flat-fastening.

For style and economy, there are Factmaster binders in a more traditional hard-wearing



The Binder
183mm x 133mm x 31mm

leather or superior simulated leather; these have black rings, one pocket in the front and back and tab fastening.

And finally, there is our new slimline pocket size binder in smooth black cow hide with real gold-plated rings, and pockets for banknotes and 8 credit cards.

The Factmaster Databox is also an asset to any desk. This stylish black box with elegant gold embossing and hinging is designed to store and organise your completed replacement and spare pages, and comes complete with its own FT pink section dividers.

How to replenish your Factmaster

Factmaster's contents come in comprehensive sections which will last a full year.

After 12 months you simply purchase more.

Personalised with your initials

For a modest additional cost, the cover of your Factmaster binder can be gold-blocked with your initials.

In a world full of files of facts, it's Factmaster that puts you in control.

Information Management	Time Management	Task Management
Your own personal and business 'database'. Notes/Addresses/Files. Some 200 pages to enable you to instantly jot down every conceivable note, idea, telephone number or staff record you may wish to store.	Factmaster's Time Management system covers every hour of your day is used to maximum advantage and works best in conjunction with a Factmaster Task Management system. Many we provide a full year's, page a day, diary section. But you decide when it starts and how many days and months to include in your binder at any one time.	The Task Management sections are designed to help you plan, progress and execute tasks efficiently. Task Priority Indexes give you an overall picture of your projects and allow you to decide priorities. Task Overviews define your objectives and systematically break down each project into a range of elements or sub-tasks. Sub-Task, Action Plans, and Timetables are the implementation pages of your project management that keep your tasks moving ahead on schedule. Weekly/Land Chase, these fold-out sheets show if you're overloading yourself so that you become aware of the danger signs well in advance.

Each section can be purchased separately and will fit all standard binders.

The Business Gift that means business!

If you are looking for a business gift that is original, practical, highly memorable and reflects the prestige of your own company, you've found it! You only have to imagine your own reaction to receiving a Factmaster as a gift, to appreciate the impact it would have on your most valued clients and staff. Generous discounts available. Factmaster is a highly prestigious business gift and, as such, we realise that you may wish to be selective about who you give one to. For this reason 'bulk' discounts start at as few as 15 items.

Please send me further information about Factmaster, together with an order form.

Name (Mr/Mrs/Miss/Ms) _____ Position _____

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WORLD MARKETS

FT ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 9 1987				THURSDAY OCTOBER 8 1987				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Figures in parentheses show number of stocks per grouping											
Australia (91)	169.81	-0.4	152.49	156.15	2.54	170.49	153.89	156.28	180.81	99.92	98.44
Austria (16)	101.85	+0.0	91.46	96.08	2.16	101.81	91.89	96.45	102.87	85.33	94.40
Belgium (48)	125.71	-0.1	112.28	117.34	4.02	125.34	112.13	117.61	124.89	96.19	90.18
Canada (129)	132.86	-0.7	119.31	125.69	2.34	132.72	120.72	126.28	141.78	100.26	93.30
Denmark (38)	121.49	+1.2	109.10	115.17	2.54	120.03	108.35	114.20	124.83	98.18	97.14
France (122)	107.93	-1.1	96.92	102.30	2.69	109.10	98.47	103.83	121.82	98.39	96.48
West Germany (93)	100.00	-1.7	99.80	94.28	2.00	101.75	97.84	96.41	104.93	94.00	95.14
Hong Kong (46)	155.12	-1.3	139.30	155.50	3.32	157.25	141.32	157.38	158.68	98.99	90.30
Ireland (4)	160.08	+1.4	143.75	152.51	2.94	157.25	142.48	151.05	160.08	95.50	80.53
Italy (95)	95.50	+0.8	85.76	93.47	2.03	94.78	85.56	93.09	112.11	84.22	102.14
Japan (458)	149.78	+0.5	144.50	156.14	2.45	148.47	134.01	155.99	161.28	100.00	98.32
Malaysia (36)	180.46	+0.5	162.05	176.29	2.03	171.59	163.40	176.07	193.64	98.24	91.94
Mexico (14)	398.50	-2.1	357.84	693.63	0.43	406.36	367.25	707.08	422.59	97.72	81.46
Netherlands (37)	122.71	-0.8	110.19	114.31	3.91	123.68	111.64	115.79	131.41	99.45	96.32
New Zealand (24)	132.12	-2.1	113.64	105.97	2.85	134.95	121.81	107.58	138.99	83.59	78.58
Norway (24)	181.57	+0.3	163.05	163.56	2.46	181.52	163.40	163.40	180.00	100.00	100.00
Singapore (27)	171.54	+0.3	154.04	165.55	1.49	171.09	154.44	165.38	174.28	99.29	100.89
South Africa (61)	189.44	+0.7	170.11	138.04	3.03	186.20	168.07	135.69	198.09	100.00	100.22
Spain (43)	167.74	+0.7	150.63	153.19	2.39	165.64	150.33	152.79	168.81	90.85	91.94
Sweden (34)	136.43	-0.2	122.82	128.81	1.77	136.44	123.24	128.81	136.44	90.85	91.94
Switzerland (53)	110.33	-0.7	99.08	103.15	1.60	111.11	100.29	104.60	111.11	92.01	95.51
United Kingdom (335)	160.98	+0.3	144.56	144.56	3.11	160.98	144.56	144.56	160.98	99.45	92.11
USA (584)	127.30	-1.0	114.31	127.30	2.89	128.52	116.02	128.52	137.42	100.00	97.94
Europe (952)	125.76	-0.7	114.52	110.79	2.76	130.02	117.36	120.62	130.02	99.78	94.95
Pacific Basin (682)	150.62	+0.7	135.26	137.27	1.67	149.51	134.92	137.19	150.00	97.64	91.64
Asia-Pacific (1634)	142.34	+0.4	127.82	130.29	1.44	142.78	127.97	130.58	143.65	100.00	96.58
North America (713)	127.59	-0.9	114.58	127.24	2.86	128.80	116.26	128.42	137.55	100.00	97.96
Europe Ex. UK (617)	124.51	-0.5	104.04	104.04	2.44	124.51	104.04	104.04	124.51	99.45	91.94
Pacific Ex. Japan (224)	161.15	-0.8	144.72	151.34	2.68	162.41	146.60	152.32	164.05	99.45	91.94
World Ex. UK (838)	142.67	+0.4	128.11	130.54	1.49	142.67	128.11	130.54	142.67	100.00	96.46
World Ex. UK (2087)	124.51	-0.5	104.04	104.04	2.44	124.51	104.04	104.04	124.51	99.45	91.94
World Ex. Asia (224)	136.35	-0.1	122.44	129.47	1.38	136.35	122.44	129.47	136.35	99.45	91.94
World Ex. Japan (194)	130.44	-0.6	117.13	126.26	2.81	131.28	118.50	127.27	134.22	100.00	96.56
The World Index (2422)	136.69	-0.1	122.74	129.57	1.99	136.83	123.51	130.19	139.73	100.00	97.14

Base index: Dec 31, 1986 = 100
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Latest prices were available for this edition.

EUROPEAN OPTIONS EXCHANGE

		Nov 87		Feb 88		May 88		Stock
	Series	Vol	Last	Vol	Last	Vol	Last	
GOLD C	\$400	180	12.50	21	16	1	29	\$461.50
GOLD P	\$400	28	4.40	—	—	—	—	—
GOLD C	\$400	15	3	108	11.20	202	19	—
GOLD P	\$400	1	7.50	—	—	—	15	—
SILVER C	\$750	—	50	—	—	—	—	\$780
SILVER C	\$850	—	94	—	—	—	—	—
		Oct. 87		Nov. 87		Dec. 87		
SPI C	FL205	—	—	300	1.70	222	2.50	FL204.44
SPI C	FL210	—	—	20	0.70	300	1.20	—
SPI C	FL215	—	—	10	—	70	0.50	—
SPI P	FL195	—	—	—	—	70	0.80	—
SPI P	FL200	—	—	—	—	226	4.30	—
SPI P	FL210	22	1.80	178	2	—	—	—
SPI P	FL215	—	—	—	6.50	—	—	—
						300	12.30	
		March 88		June 88		Sep. 88		
SPI C	FL205	4	2.00A	—	—	2	5.80	FL205.22
SPI C	FL210	—	—	7	1.40	—	—	—
SPI C	FL215	—	—	—	—	—	—	—
		March 88		June 88		Sept. 88		
SPI C	FL200	1	4.20	30	4	7	—	FL204.44
SPI C	FL205	103	1.90	41	4.50A	—	—	—
SPI C	FL210	103	2.40	—	—	—	—	—
SPI C	FL215	11	1	—	4.40	—	—	—
SPI P	FL200	1	1.70	—	—	1	6	—
SPI P	FL215	11	14.30	—	—	—	—	—
		Oct. 87		Jan. 88		Apr. 88		
ARM C	FL50	20752	1.10	294	0.90	270	1.70	FL43
ARM P	FL46	—	—	258	1.20	—	—	—
ARM C	FL95	—	0.10	158	2.30B	—	—	FL85.80
ARM C	FL90A	—	—	—	—	65	4.90	FL80
ARM C	FL95	—	—	—	—	—	—	FL172.30
ARM P	FL170	875	1.20	22	1.80	48	16.50	—
ARM C	FL170	348	0.90	225	—	57	8.70A	—
ARM C	FL170	46	0.50	12	2.40	35	1.50	FL57.60
ARM C	FL170	4	0.20	—	—	—	—	—
ARM C	FL170	—	—	—	—	104	6	—
ARM C	FL170	20	0.80A	962	1.30	21	4.50	FL90.30
ARM C	FL170	119	0.10	121	2.20	67	2.30	—
ARM C	FL170	10	0.20	230	2.70	40	4.30	FL57
ARM C	FL170	20	0.20	10	3.40	20	3.90A	FL48.10
ARM C	FL170	20	2.70	76	2.90	302	4	FL121.50
ARM C	FL170	20	0.20	5	5	—	—	—
ARM C	FL170	30	19.50	140	2.30	3	4.30	FL47
ARM C	FL170	30	0.30	40	5.50	—	—	FL130
ARM C	FL170	30	0.30	30	2.60	—	—	—
ARM C	FL170	30	0.30	432	2.40	264	3.70	FL139
ARM C	FL170	76	2.40	13	12.40	—	—	—
ARM C	FL170	76	0.20	30	2.30	20	4.40	FL70.40
ARM C	FL170	228	0.20	304	2.20	—	—	FL52.40
ARM C	FL170	228	0.20	11	9.00A	—	—	FL260.30
ARM C	FL170	462	0.10	1128	2	593	3.30	—
ARM C	FL170	516	0.10	210	4	1577	4	—
ARM C	FL170	516	0.10	210	4	1577	4	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	FL10.70
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
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ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
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ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
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ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
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ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.20	—
ARM C	FL170	1197	0.70	365	32.80	11	15.2	

Continued on next page

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LONDON SHARE SERVICE

[illegible]

MINES—Continued**MINES—Continued**

Stock	Price	Last nd
Champion Wine	50	
Champion Wine	158	
Champion Wine	17	
Champion Wine	45	
Champion Wine	61	
Champion Wine	250	
Champion Wine	240	
Champion Wine	268	
Champion Wine	68	781
Champion Wine	61	
Champion Wine	148	122
Champion Wine	7	
Champion Wine	29	
Champion Wine	25	
Champion Wine	168	
Champion Wine	176	1911
Champion Wine	812	252
Champion Wine	22	30.4

[illegible]

Wadon, Wmny 50c	375	6.4	5
Wapwham Creek 20c	233		
Wapwham Res. Nl.	70		

Tins			
Wayer Huan SMI	118	9.3	5
Greener	130	9.3	
Gorgeo Bentay MSC 50	185	10.3	
Januar 121p	140	12.6	
Wadon Res. 10c	83	11.5	
Pelariane SMI	145	25.6	
Sungai Baru SMI	130	12.8	
Tanjung 15p	150	6.81	
Traoh SMI	200	11.1	2

Miscellaneous			
Anglo-Danawan	79		
Calby Res. Cora	25		
Chen, March. 10c	273	11.7	
Chen, Int. 10c			
Greenes can	423		
Merhan Gold Mines	613		

Highwood Res.	244		
Interlake Mfg. S1	227	20.5	
McIntire Res. Lake	331		
Muskegon Explorations	46		
New Scotia Res. CSI	341		
Whiting CSI	432	777	
Quest Resources	12		
RT2	113	27	
De Wyck 95-2000	6279	11.5	05
Therco Res. Inc. II	347		

THIRD MARKET

Stock	Price	Last	Div Yld
Alberton Group 10p	415	28.9	3.5
Aberdeen Am Pet 10p	44		
Allied Int. Broker	143	11.5	NA.0
American Energy 10p	65		
Andaman Pet. 10p	98		
Argonne Pet. "A"	8		
Brookside Energy	23		
Crescent 10p	93	22.4	22.0

Calatayud Comms. Sp	180		
Chelco Artisan Sp	183		
ChemEx Intl.	90		
Cinac Group Sp	157		
Custom Bakes 10p	211	0.6	0.4
Crown Everglass Sp	121		
Egyptian Explor. I.R.S.	25		
Ena. Warrants	17		
Env. East Res. 10p	166		
Enviro (I.J) Sp	17		R1.25
Honorbird Group Sp	47		
Leading Leisure Sp	121		0.9
Lynx Tech. Sp	85		
Meditrade 10p	180		
Movoca Gold IRO.02	98		
Publishing Hldgs Sp	66		
Real Holdings	75	27.4	1.0
UPL 10p	21		L2.61
Unit Group	136		R4.6

NOTES

wise indicated, prices and net dividends are as of 25c. Estimated price/earnings ratios reflect annual reports and accounts and, where available, quarterly figures. P/E's are calculated on a basis of \$10 per share being computed on profit after tax where applicable; bracketed figures indicate differences if calculated on "full" distribution basis. *disturbance this compares gross operation, excluding exceptional profits/losses net of effective ACT. Yields are based on assumed to ACT of 27 per cent and allow for voting rights.

*stock."

Lows marked thus have been adjusted to cost or cash.

Price increased or resumed.

Since reduced, passed or deferred.

To non-residents on application.

For report mailed.

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Under Rule 535(f),
time of suspension.
right after sending scrip and/or dividend in previous dividend or forecast.
and/or reorganization in progress.
variable.
return: reduced final and/or reduced earnings dividend; cover on earnings updated by management.
shares for conversion of shares not now readily available for restricted shares.
not allow for shares which may also remain in date. No P/E ratio usually provided.
France. Fr. French Francs. $\frac{1}{100}$ Yield based on price. Rate stays unchanged until maturity of shares issued on prospectus or other dividend return paid or payable on part of capital. No redemption yield. Flat yield. Assumed dividend and yield are from capital sources. A Kemis, $\frac{1}{100}$ interest

^a Rights issue pending; ^b Earnings based on dividends and yield exclude a special payment made by the company; ^c Dividend based on dividends or relates to previous dividend; ^d P/E ratio; ^e Based on forecasts; ^f Estimated annualized earnings over previous year's earnings; ^g Subjected to a time series analysis; ^h Data available from 1980-87; ⁱ Dividend and yield based on prospectus or other sources; ^j Dividend and yield based on prospectus or other sources; ^k Dividend and yield based on prospectus or other sources; ^l Dividend and yield based on prospectus or other sources; ^m Dividend and yield based on prospectus or other sources; ⁿ Dividend and yield based on prospectus or other sources; ^o Dividend and yield based on prospectus or other sources; ^p Dividend and yield based on prospectus or other sources; ^q Dividend and yield based on prospectus or other sources; ^r Dividend and yield based on prospectus or other sources; ^s Dividend and yield based on prospectus or other sources; ^t Dividend and yield based on prospectus or other sources; ^u Dividend and yield based on prospectus or other sources; ^v Dividend and yield based on prospectus or other sources; ^w Dividend and yield based on prospectus or other sources; ^x Dividend and yield based on prospectus or other sources; ^y Dividend and yield based on prospectus or other sources; ^z Dividend and yield based on prospectus or other sources.

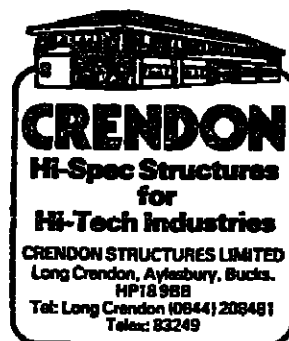
REGIONAL & IRISH STOCKS	
78d	Fin. 13% 97.02
93d	Ansett
11d	CPI Index
11d	Carroll Inds.
363	Dublin Gas
	Hall (R. & H.)
	Mertec Hols.
	Irish Roses
	Nonch
	Undare

40	NEI
19	Nat West Bk
62	P & O Dir
50	Plessey
17	Polty Pack
34	Racial Elect
32	RvM
52	Rank Org Ord
52	Reed Intnl
50	STC
30	Sears
50	TI
50	TSB
28	Tesco
32	Thorn EMI
25	Trust Houses
45	Turner Newall
34	Unilever
43	Vickers
43	Wellcome

32	Wellington
95	Property
22	Brit Land
200	Land Securities
50	MEPG
125	Poachey
95	Oils
38	Brit Petroleum
17	Britoil
58	Burnmah Oil
125	Charverhall
52	Premier
32	Shell
45	Trecontrol
35	Ultramar
75	Mines
22	Cos Gold
45	Lanrho
55	Tro T Zinc

Section of Outlines
Traded to eleven as

London Stock Exchange Report Page



Refurbishing International House

COSTAIN CONSTRUCTION has been awarded a £10.7m contract by Chiltern Street Investments to reconstruct and refurbish the fifteen-storey property at 62-72 Chiltern Street, London W1 known as International House. MEPC Developments is managing the project on behalf of Chiltern Street Investments, which is controlled by the Oldham Estate Company. The structure will be reduced to its bare frame and entirely rebuilt. Structural work includes the construction of floors, staircases, a central lift core and roof plant rooms. The elevations will be clad in curtain walling. The mechanical and electrical services will be renewed and some external works, such as paving, will be carried out. The 98-week project is due for completion in July 1988.

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded a £4m contract by the Norwich Union Insurance Group to refurbish and extend the Woking shopping centre, bounded by Commercial Way, Cawsey Way, Church Street, and Town Square.

In addition to the refurbishment work the contract includes provision of a glass roof to cover the whole of the shopping mall and central square. Services will be replaced, and a restaurant will be formed next to the town square.

CONSTRUCTION CONTRACTS

Rush & Tompkins to build major hotel in Glasgow

RUSH & TOMPKINS' Glasgow office has currently over £47m worth of projects, mainly in the commercial, industrial, leisure and retail areas, and much of it in joint venture development work.

The current flagship project is the 17-storey Glasgow Forum Hotel and Conference Centre, in Queen's Dock, due for structural completion in March 1988, and with fitting out to be completed by March 1989. The £18m project will provide Glasgow with a 300-bedroom hotel and conference facilities next door to the Scottish Exhibition and Conference Centre. The client is Echo Hotels, a joint venture between Rush & Tompkins, Forum Hotels International, the Scottish Development Agency and the Scottish Exhibition and Conference Centre.

Several retail developments are in progress. The design and construction contract on Dunfermline Town Centre where the premises are to be demolished, is a joint venture with Fife Co-op and Rush & Tompkins.

In Glasgow, Rush & Tompkins and Sibeac are redeveloping the Mearns Cross Shopping Centre to form an upgraded regional shopping centre in a £16m contract due for completion in September 1988. The Asda Superstore at Maryhill is being extended to provide an increase of 11,000 sq ft of sales area and a 750 sq ft increase in office accommodation together with alterations and refurbishment. Rush & Tompkins are due to complete the 800,000 contract for Associated Dairies in February 1988.

Rush & Tompkins is to start

work shortly on a £10m town centre retail development in Coatbridge - a joint venture with Lawfield Estates. The development, which is part of the Coatbridge project with the Scottish Development Agency, Monklands District Council and Strathclyde Regional Council, will provide retail space of 100,000 sq ft, together with 56 flats.

The company has won a £750,000 contract to build an MFI retail warehouse in Clough Road, Hull. The 17-week programme is scheduled for completion at the end of December. The warehouse - on the site of the existing car park - will comprise a two-storey staff accommodation block (250 sq metres) and 1550 sq metres of single-storey warehouse space. The existing facade will be replaced to match that of the new extension. Additional works include a covered pick-up point for car customers, car parking space for 67 cars adjacent to Clough Road, the upgrading of existing car parking, and the moving of the main entrance to a temporary position.

Rush & Tompkins has won a re-assigned contract worth £2m to construct a bypass road to the west and south of Wareham for Dorset County Council. The previous contractors, who went into receivership in July, had completed about one third of the work. The road building schedule includes the construction of a three-span concrete bridge over the Frome, and the widening of a bridge over rail-tracks. Work started on the contract in September, and is due for completion in summer 1988.

Homes for servicemen

M.J. GLEESON has been awarded a £11.5m contract to build servicemen's homes at RAF Leeming, near Northallerton, Yorkshire, for the Property Services Agency. The project includes building 310 married servicemen's quarters, and modernising 16, together with site development work. Completion is scheduled for September 1989.

The company has been awarded a partnership housing development worth £3m with South Bucks District Council on a site at George Green, Wexham. Scheduled for completion in April 1988, the 87 homes will be offered for sale to people on the council's housing waiting list, to council tenants, and to first-time buyers. There will be 45 3-bedroom, 3 person houses; 18 2-bed, 4 person houses; 10 2-bed, 3 person houses; and 14 2-bed, 2 person quad units.

WIMPEY, Huddersfield, has been awarded orders worth over £5m. The largest is for a £2.8m bus station in Halifax for West Yorkshire Passenger Transport Executive. The scheme will provide twenty bus bays on the Northgate site, with an inner ring road and with a short walking distance of Pierce Hall and the Workshops precinct.

Conservation is a key factor in the scheme and the facades of the three listed, but decaying, buildings on the site will be retained in the new scheme. The Sion Sunday School will be dismantled and re-erected alongside the main entrance, the main Sion Chapel facade being rebuilt in the lower corner of the development and the Jubilee Hall facade being retained in its original position. The project is scheduled for completion during early 1988.

Interim Project Management has been awarded contracts for the design and construction of food factories at Bradford and Milton Keynes. The work, worth in excess of £4m, the projects are scheduled for completion in December 1987 and March 1988 respectively.

ASBEY & HORNER won a £2m package of building works for the new Financial Times printing facility at Leamouth Road, off East India Dock Road in London E14. The contract, due for completion at the end of next June, comprises brickwork and blockwork, floor and wall tiling, grano and plastering, decorations, partitions and joinery.

TAYLOR WOODROW CONSTRUCTION (SCOTLAND), Glasgow, has received a contract worth £1m from Fountainbridge Housing Association for the erection of 36 flats at Yeaman Place, Edinburgh. Work, already underway and due for completion in October 1988, comprises erection of a residential block of 36 flats, on ground and four upper floors. The units have one, two or three bedrooms. Construction is generally of load-bearing brickwork and blockwork, with precast concrete floors, and a timber roof with metal roof finish.

Flow Laboratories, has awarded a £1.5m design and build contract to SCIENTIFIC LESSER. The work calls for a building to be almost gutted and then equipped with the latest mechanical, electrical (five air conditioning systems), liquid and gas services necessary for the installation of a series of clean rooms.

Sir Alexander Gibb and Partners has been appointed by the London Docklands Development Corporation to complete the preliminary feasibility studies and to undertake detailed design and supervision of construction of the Limehouse Link road. This is a 1 mile dual carriageway connecting the eastern end of the Highway (Limehouse) to North Quay (Isle of Dogs). The road includes nearly a mile of tunnel, of cut and cover construction. It passes under water Limehouse Basin, Limehouse Cut and Limekiln Dock and under the Docklands Light Railway Viaduct in Poplar.

FINANCIAL

TODAY

COMPANY MEETINGS:
AGB Research, Barchin Hall, 87, Bartholomew Close, E.C. 12 00

Scholes (George H.), Wyke Works, Wyndham Street, Manchester, 12 00

BOARD MEETINGS:
Pinefields

Staplewoods

Glen

Medway

Interlance

ERA Group

Seabury (P.L.C.)

DIVIDEND & INTEREST PAYMENTS:
AHL Higgs, 5.75p

Applied Group 3.5p

Anglo Group 2p

Investing in Success 0.5p

Inland 12.125p

Leeds Valley Group 0.5p

Magnolia Group 1.4p

Reed Executive 4p

Tony (E.L.M.) 7.00p

Victrola 6.25p

WIMPEY

Flintshire Investments Ltd., 25, Copeland Avenue, E.C. 11 30

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Alma Higgs, 2.50p

American Brands 12 1/2% Ln Lf 2009 6 1/2%

Amoco Trust 1 1/2% Ln Lf 2009 6 1/2%

Barclays Bank of New York Overseas Finance Co Plc

Rate 5 1/2% Ln Lf 2009 6 1/2%

Bel Canada 6 1/2%

Bentley 1 1/2% Ln Lf 2009 6 1/2%

British Assured 1 1/2% Ln Lf 2009 6 1/2%

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British Assured 1 1/2% Ln Lf 2009 6 1/2

WORLD STOCK MARKETS

AUSTRIA				GERMANY				AUSTRALIA				JAPAN				CANADA			
Stock	High	Low	Price	Stock	High	Low	Price	Stock	High	Low	Price	Stock	High	Low	Price	Stock	High	Low	Price
2410 1890 Creditanstalt	2410	1890	2410	2410 1890 Creditanstalt	2410	1890	2410	2410 1890 Creditanstalt	2410	1890	2410	2410 1890 Creditanstalt	2410	1890	2410	2410 1890 Creditanstalt	2410	1890	2410

OVER-THE-COUNTER

Nasdaq national market, closing prices, October 9

Continued from Page 45				Continued from Page 45			
Stock	High	Low	Price	Stock	High	Low	Price
AMC	17.12	17.12	17.12	AMC	17.12	17.12	17.12

NEW YORK				DOW JONES			
Stock	High	Low	Price	Stock	High	Low	Price
2410 1890 Creditanstalt	2410	1890	2410	2410 1890 Creditanstalt	2410	1890	2410

When will it dawn on you?

In many of North America's major business centres, coast-to-coast, the Financial Times is being delivered in time for breakfast.

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FINANCIAL TIMES
Because we live in financial times.



Closing prices, October 9

Continued on Page 45

AMEX COMPOSITE CLOSING PRICES Closing prices
October 9

Stk	100s	High	Low	Close	Change	Stock	Div	P/E	Stk	100s	High
214	2		2	2		PacifiA	.40	247	70		
285	70		70	70		PacifiC		279	120		1

Stock	Sales	High	Low	Last	Chg.	Stock	Sales	High	Low	Last	Chg.
ADAC	123	153	141	144	-	Ally	180	161	151	151	+1
ADM	123	153	141	144	-	Amgen	10	10	10	10	-
AST	141	142	141	141	-	Analogic	10	10	10	10	-
ASX	141	142	141	141	-	Applied	10	10	10	10	-
AT&T	141	142	141	141	-	Arco	10	10	10	10	-
BAL	141	142	141	141	-	Arch Chemicals	10	10	10	10	-
BIO	141	142	141	141	-	Avaya	10	10	10	10	-
CAT	141	142	141	141	-	Avnet	10	10	10	10	-
CDL	141	142	141	141	-	Avnet Inc.	10	10	10	10	-
CEI	141	142	141	141	-	Avnet Int'l	10	10	10	10	-
CEL	141	142	141	141	-	Avnet Tech	10	10	10	10	-
CHS	141	142	141	141	-	Avnet USA	10	10	10	10	-
CIL	141	142	141	141	-	Avnet World	10	10	10	10	-
CIM	141	142	141	141	-	Avnet Asia	10	10	10	10	-
CME	141	142	141	141	-	Avnet Europe	10	10	10	10	-
CML	141	142	141	141	-	Avnet Japan	10	10	10	10	-
CNE	141	142	141	141	-	Avnet Korea	10	10	10	10	-
CNO	141	142	141	141	-	Avnet Taiwan	10	10	10	10	-
COP	141	142	141	141	-	Avnet Thailand	10	10	10	10	-
COR	141	142	141	141	-	Avnet Vietnam	10	10	10	10	-
COT	141	142	141	141	-	Avnet India	10	10	10	10	-
CPC	141	142	141	141	-	Avnet China	10	10	10	10	-
CPL	141	142	141	141	-	Avnet Hong Kong	10	10	10	10	-
CPS	141	142	141	141	-	Avnet Singapore	10	10	10	10	-
CST	141	142	141	141	-	Avnet Malaysia	10	10	10	10	-
CUT	141	142	141	141	-	Avnet Indonesia	10	10	10	10	-
CUS	141	142	141	141	-	Avnet Philippines	10	10	10	10	-
CUS	141	142	141	141	-	Avnet Thailand	10	10	10	10	-
DAL	141	142	141	141	-	Avnet Vietnam	10	10	10	10	-
DAM	141	142	141	141	-	Avnet India	10	10	10	10	-
DAN	141	142	141	141	-	Avnet China	10	10	10	10	-
DAR	141	142	141	141	-	Avnet Hong Kong	10	10	10	10	-
DBP	141	142	141	141	-	Avnet Singapore	10	10	10	10	-
DEB	141	142	141	141	-	Avnet Malaysia	10	10	10	10	-
DEL	141	142	141	141	-	Avnet Indonesia	10	10	10	10	-
DEM	141	142	141	141	-	Avnet Philippines	10	10	10	10	-
DES	141	142	141	141	-	Avnet Thailand	10	10	10	10	-
DET	141	142	141	141	-	Avnet Vietnam	10	10	10	10	-
DEV	141	142	141	141	-	Avnet India	10	10	10	10	-
DIA	141	142	141	141	-	Avnet China	10	10	10	10	-
DIB	141	142	141	141	-	Avnet Hong Kong	10	10	10	10	-
DIC	141	142	141	141	-	Avnet Singapore	10	10	10	10	-

OVER-THE-COUNTER

Nasdaq national market, closing prices, October 9

Stock	Sales	High	Low	Last	Chg.	Stock	Sales	High	Low	Last	Chg.
ADAC	123	153	141	144	-	Ally	180	161	151	151	+1
ADM	123	153	141	144	-	Amgen	10	10	10	10	-
AST	141	142	141	141	-	Analogic	10	10	10	10	-
ASX	141	142	141	141	-	Applied	10	10	10	10	-
AT&T	141	142	141	141	-	Arco	10	10	10	10	-
BAL	141	142	141	141	-	Arch Chemicals	10	10	10	10	-
BIO	141	142	141	141	-	Avaya	10	10	10	10	-
CAT	141	142	141	141	-	Avnet	10	10	10	10	-
CDL	141	142	141	141	-	Avnet Inc.	10	10	10	10	-
CEI	141	142	141	141	-	Avnet Int'l	10	10	10	10	-
CEL	141	142	141	141	-	Avnet Tech	10	10	10	10	-
CHS	141	142	141	141	-	Avnet USA	10	10	10	10	-
CIL	141	142	141	141	-	Avnet World	10	10	10	10	-
CIM	141	142	141	141	-	Avnet Asia	10	10	10	10	-
CME	141	142	141	141	-	Avnet Europe	10	10	10	10	-
CML	141	142	141	141	-	Avnet Japan	10	10	10	10	-
CNE	141	142	141	141	-	Avnet Korea	10	10	10	10	-
CNO	141	142	141	141	-	Avnet Taiwan	10	10	10	10	-
COP	141	142	141	141	-	Avnet Thailand	10	10	10	10	-
COR	141	142	141	141	-	Avnet Vietnam	10	10	10	10	-
COT	141	142	141	141	-	Avnet India	10	10	10	10	-
CPC	141	142	141	141	-	Avnet China	10	10	10	10	-
CPL	141	142	141	141	-	Avnet Hong Kong	10	10	10	10	-
CPS	141	142	141	141	-	Avnet Singapore	10	10	10	10	-
CST	141	142	141	141	-	Avnet Malaysia	10	10	10	10	-
CUT	141	142	141	141	-	Avnet Indonesia	10	10	10	10	-
CUS	141	142	141	141	-	Avnet Philippines	10	10	10	10	-
CUS	141	142	141	141	-	Avnet Thailand	10	10	10	10	-
DAL	141	142	141	141	-	Avnet Vietnam	10	10	10	10	-
DAM	141	142	141	141	-	Avnet India	10	10	10	10	-
DAN	141	142	141	141	-	Avnet China	10	10	10	10	-
DAR	141	142	141	141	-	Avnet Hong Kong	10	10	10	10	-
DBP	141	142	141	141	-	Avnet Singapore	10	10	10	10	-
DEB	141	142	141	141	-	Avnet Malaysia	10	10	10	10	-
DEL	141	142	141	141	-	Avnet Indonesia	10	10	10	10	-
DEM	141	142	141	141	-	Avnet Philippines	10	10	10	10	-
DES	141	142	141	141	-	Avnet Thailand	10	10	10	10	-
DET	141	142	141	141	-	Avnet Vietnam	10	10	10	10	-
DEV	141	142	141	141	-	Avnet India	10	10	10	10	-
DIA	141	142	141	141	-	Avnet China	10	10	10	10	-
DIB	141	142	141	141	-	Avnet Hong Kong	10	10	10	10	-
DIC	141	142	141	141	-	Avnet Singapore	10	10	10	10	-

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Mounting fears on inflation and interest rates

BY COLIN MILLHAM

WEDNESDAY'S US trade figures for August will provide the focal point of the week, but how much impact these will have on the dollar must be in some doubt.

After the fall in Japan's and West Germany's trade surplus in August it has been widely forecast that the US deficit will be cut significantly from July's record \$16.47bn.

There were growing signs last week, however, that the more optimistic of the economists were beginning to lose their nerve, and at best were only looking for a small improvement.

According to a survey by Money Market Services the median forecast for the August deficit is \$14.5bn, and there were several economists still looking for a deficit in the region of \$16bn.

£ IN NEW YORK

Oct. 9	Close	Previous
1 month	1.6525-1.6535	1.6480-1.6490
3 months	1.6525-1.6535	1.6480-1.6490
6 months	1.6525-1.6535	1.6480-1.6490
12 months	1.6525-1.6535	1.6480-1.6490

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Oct. 9	Close	Previous
8.30 am	73.3	73.3
9.00 am	73.3	73.3
10.00 am	73.3	73.3
11.00 am	73.3	73.3
12.00 pm	73.3	73.3
1.00 pm	73.3	73.3
2.00 pm	73.3	73.3
3.00 pm	73.3	73.3

CURRENCY RATES

Oct. 9	Bank rate %	Special * Drawing Rights	European Garmonie Unit
Sterling	—	N/A	0.659574
U.S. Dollar	—	N/A	1.14921
Canadian \$	0.75	1.4933	0.64675
Australian \$	0.6	N/A	1.14175
Belgian Franc	7 1/4	—	43.1830
Denmark Krone	7 1/4	—	7.97381
Deutsche Mark	7 1/4	—	2.10741
Swiss Gulden	2 1/2	—	2.33785
French Franc	—	—	6.91079
Italian Lira	12 1/2	—	1.49925
Japanese Yen	2 1/2	—	164.581
Norwegian Krone	—	—	5.59675
Spanish Peseta	7 1/2	—	137.882
Swedish Krona	—	—	7.25900
British Pound	3.5	—	1.72698
French Franc	200 1/2	—	199.516
Swiss Franc	—	—	0.77591